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SENATE

RURAL AND REGIONAL AFFAIRS AND TRANSPORT
LEGISLATION COMMITTEE

ESTIMATES

(Budget Estimates)

THURSDAY, 29 MAY 2003

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SENATE
RURAL AND REGIONAL AFFAIRS AND TRANSPORT LEGISLATION
COMMITTEE
Thursday, 29 May 2003

Members: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Cherry, Colbeck, Ferris and O'Brien

Senators in attendance: Senator Heffernan (*Chair*), Senator Buckland (*Deputy Chair*), Senators Colbeck, Ferris, O'Brien and Stephens

Committee met at 9.07 a.m.

TRANSPORT AND REGIONAL SERVICES PORTFOLIO

Consideration resumed from 28 May.

In Attendance

Senator Troeth, Parliamentary Secretary to the Minister for Agriculture, Fisheries and Forestry

Corporate Governance Group

Mr Peter Yuile, Acting Secretary

Ms Lynelle Briggs, Deputy Secretary

Aviation and Airports Policy Division

Mr Martin Dolan, First Assistant Secretary

Ms Maureen Ellis, Acting Assistant Secretary, Aviation Operations

Mr Andy Turner, Assistant Secretary, Aviation Security Policy

Mr Nick Bogiatzis, Assistant Secretary, Aviation Markets

Mr Mike Smith, Executive Director National Airspace System (NAS)
Implementation

Civil Aviation Safety Authority

Mr Mick Toller, Director, Aviation Safety

Mr Bruce Gemmell, Deputy Director, Aviation Safety

Mr Rob Elder, Executive Manager, Corporate Affairs

Mr Mike Williams, Executive Manager, Aviation Safety Compliance

Mr Rob Collins, Executive Manager, Regulatory Services Division

Mr Ray Comer, Executive Manager, Corporate Development

Ms Sue-Ellen Bickford, Executive Manager, Corporate Services

Mr Peter Ilyk, General Counsel

Ms Karen Nagle, Risk Manager

Airservices Australia

Mr Bernie Smith, Chief Executive Officer

Mr Tom Grant, General Manager, Organisation Development and Corporate Secretary

Regional Policy Division

Mr John Doherty, First Assistant Secretary

Ms Joan Armitage, Assistant Secretary, Regional Policy Analysis

Mr Daniel Owen, Assistant Secretary, Regional Policy Development

Regional Programs Division

Ms Leslie Riggs, First Assistant Secretary

Ms Wendi Key, Assistant Secretary, Stronger Regions

Dr Leo Dobes, Assistant Secretary, Regional Access

Ms Vicki Dickman, Acting Assistant Secretary, Regional Network

Ms Kelly Pearce, Director, Area Consultative Committee and Regional Package Team

Territories and Local Government Division

Mr Mike Mrdak, First Assistant Secretary

Mr Andrew Wilson, Assistant Secretary, Non-Self-Governing Territories

Mr Adrian Beresford-Wylie, Assistant Secretary, Self-Governing Territories
Local Government and Natural Disaster Management

National Capital Authority

Ms Annabelle Pegrum, Chief Executive

Mr Lindsay Evans, Managing Director, Business

Mr Graham Scott-Bohanna, Managing Director, Design

Mr Ross Addison, Director of Finance

Mr David Wright, Director, National Capital Plan

Department of Transport and Regional Services

CHAIR—I declare open this meeting of the Senate Rural and Regional Affairs Legislation Committee. The committee will continue its consideration of the 2004 estimates. As I stated yesterday, answers to questions on notice and additional information should be received by the committee no later than 11 July 2003.

Mr Yuile—Mr Chair, Mr Dolan just wants to make a few clarifications.

Mr Dolan—Senator O'Brien, in discussing the minister's powers of direction under the Air Services Act, I indicated, relying on memory, that these were instruments that should be tabled in the parliament. They were in fact reported in the Airservices annual report. You also asked whether there had been previous reviews of the revenue and funding arrangements for CASA. There was a partial review, as I recollected, in 1998 of elements of the revenue and cost recovery for CASA.

Senator O'BRIEN—Thank you for that. I want to ask about the sale of Sydney basin airports. On 9 April 2003, the acting minister and the minister for finance announced a strategy for the sale of Bankstown, Camden and Hoxton Park airports—the Sydney basin

airports. Part of the strategy was to revise the government's expectations in relation to the use of Bankstown Airport, and Mr Tuckey said:

Changes to the aviation environment since September 11, 2001, the collapse of Ansett and the trend to using larger aircraft, particularly on regional routes, means there is no longer a need for Bankstown airport to develop an overflow capacity to supplement Sydney airport ...

The sale will go ahead without development obligations on any of the three airports. What research, reports or data were the assessment of the aviation environment changes based on?

Mr Dolan—The responsibility for the sale process is with the Department of Finance and Administration. That being said, there were a range of inputs to the sale team, including consultants' reports on the aviation industry and likely future scenarios and options for the use of the airports. There was a report by Airservices Australia in relation to airspace and related issues for the Sydney basin airports and Bankstown in particular.

Senator O'BRIEN—There was a study?

Mr Dolan—There was a study in relation to airspace around Bankstown Airport.

Senator O'BRIEN—Who conducted the study?

Mr Dolan—Airservices Australia.

Senator O'BRIEN—When was the study conducted?

Mr Dolan—The study was completed early this calendar year. Some initial work had been done considerably earlier—from recollection, in 2001.

Senator O'BRIEN—Both by Airservices?

Mr Dolan—Yes, in consultation with others, including CASA.

Senator O'BRIEN—Previously, the minister has said that Sydney airport can handle projected traffic growth out to 2010. Is that still the case?

Mr Dolan—I am sorry, Senator, which study were you referring to?

Senator O'BRIEN—Which statement? The minister said that—based on some study, I presume.

Mr Dolan—Yes, a study that was done by a consultant for the sale team in the Department of Finance and Administration.

Senator O'BRIEN—So, when the minister made that projection on the future of Sydney airport, he also made the assessment that Bankstown would be needed as an overflow. Apparently, the latter has changed. What is the current view of Sydney airport's capacity and projected future capacity?

Mr Dolan—The current view is that there is sufficient, and indeed unused, capacity at Sydney airport and there will be no need for an overflow airport for the foreseeable future.

Senator O'BRIEN—Can you tell me what period of time the foreseeable future comprises?

Mr Dolan—At the time Sydney Airports Corporation Ltd was sold, the projections went to about 2020. The view at that point was that there would be no need for an additional airport or for an overflow airport.

Senator O'BRIEN—Is the analysis upon which this is based a public study?

Mr Dolan—As I say, the analysis was done for another department, although we were involved in the process. To my knowledge, it is not a public report.

Senator O'BRIEN—This is a significant policy shift; surely the appropriate basis for the policy framework ought to be in the public domain.

Mr Dolan—There were a range of reports and other elements that contributed to government decision making, and they were taken into account by the government in making its decision. It is a matter for the government as to which elements it wishes to release.

Senator O'BRIEN—Did the government consult with the owners of Sydney airport when formulating this sales strategy?

Ms Ellis—As Mr Dolan said, the actual management of the process is in the hands of the Department of Finance and Administration. There is extensive consultation currently with the stakeholders and leaseholders of the airport.

Mr Dolan—I will have to take that on notice and get back to you on that question. I am not aware of detailed consultations, but I would have to confirm that.

Senator O'BRIEN—I take it that the effect of the announcement based on the changes to the aviation environment is that the new owner of Bankstown will now not be required to extend the runway and provide for larger aircraft—the extension that would have prepared Bankstown airport as an overflow airport. Do I understand that situation correctly?

Mr Dolan—There will be no requirement on the purchaser of Bankstown Airport to undertake any development of the airport.

Senator O'BRIEN—I presume that does not preclude the new owner from making those changes anyway of their own volition.

Mr Dolan—It does not preclude a new owner from making plans to change or develop the airport, but of course there is a range of planning and other constraints on that that would be imposed on any new owner of the airport.

Senator O'BRIEN—By whom?

Mr Dolan—By the Airports Act as it currently stands, which would also relate to Bankstown Airport. For anything major, there are also the provisions of the Environment Protection and Biodiversity Conservation Act.

Senator O'BRIEN—So the new owner of Bankstown Airport is precluded from developing the airport for large jets by the Airports Act?

Mr Dolan—There would need to be an approval process, starting with a master planning process, under the Airports Act. A master plan has to be approved by the minister, as does any major development proposal. Obviously, a substantial lengthening of the runway or developments of that nature would be major development proposals in terms of the act.

Senator O'BRIEN—I take it that, while there are no development obligations on any of the three airports, there are no specific development limitations which will be attached to the sale conditions.

Mr Dolan—None that I am aware of, other than the legal framework around the management of airports.

Senator O'BRIEN—The sale strategy has special arrangements for Hoxton Park Airport: it will be sold with a shortened lease of five years with the land then reverting to freehold title. The airport lease could be extended by a further two years upon agreement between the Commonwealth and the new owner. This strategy would seem to indicate government support for the closure of Hoxton Park Airport in five to seven years time. What is the basis for that policy position?

Mr Dolan—That was a decision of the government in terms of a strategy for the overall sale of the three airports. I am not sure I am in a position to comment on the range of factors that the government took into account in making the decision. It was a cabinet decision in the end, and I am not in a position to talk about that.

Senator O'BRIEN—Can you ask the minister if he will advise the committee of the basis for that? If you cannot, he certainly has the option and opportunity to do so.

Mr Dolan—Certainly.

Senator O'BRIEN—Has the Commonwealth conducted any analyses related to the future of aviation operations in the Sydney basin upon which this decision is based? You have already referred to the Airservices work.

Mr Dolan—Yes.

Senator O'BRIEN—Is there any other analysis that—

Mr Dolan—There were analyses done for the Department of Finance and Administration. There were a range of reports and studies done as a contribution to the process, some of which I referred to. Separate reports rather than an all-embracing study of air traffic and airports in the Sydney basin were done. That, by government policy, is a matter for review by 2005.

Senator O'BRIEN—Where will aviation activities from Hoxton Park go to?

Mr Dolan—That is a matter that will have to be resolved over the course of the next five to seven years if the new owner of Hoxton Park decides not to use it as an airport.

Senator O'BRIEN—So at this stage there is no planned view about the devolution of Hoxton Park activities—if that is to happen?

Mr Dolan—The government decision, in comparatively broad terms, was part of the sale process. There are currently consultations with the current tenants and users of Hoxton Park airport about the future and the most effective way of dealing with that. Rather than there being a preordained plan, there is a range of discussions with interested parties on how best to manage the likely transition.

Senator O'BRIEN—I see. It is a bit like saying, 'Whatever happens will happen.' Can you provide the most recent data, plus historic data over the past five years, or tell us where we can find it, for the activity of the Sydney basin airports? I am looking for information which will reveal the number of aircraft movements, the types of aircraft, aviation activity into and out of the airport sites—particularly Hoxton Park—the number of people employed at each airport site, and the annual profit of each airport, not just Hoxton Park. Is that information contained in any discrete document or set of documents?

Mr Dolan—Not all of that information. Matters about employees, annual profits and so on would be available in the annual reports of the three airports. We could collate that information for you. It would be difficult to be precise about information on the movements and the types of aircraft because there are movements outside controlled hours, and a range of other things, but we will certainly get the best assessment of the information you have requested, Senator.

Senator O'BRIEN—Thank you very much. I take it that when Hoxton Park airport lease reverts to freehold under this plan, with no airport lease, the owner—and I think you have already indicated this—can continue the airport operations. Does anything have to happen for that eventuality? In other words, to continue aviation operations from that site, is there any legislative, regulatory or other action that needs to be taken?

Mr Dolan—Yes, all airports are subject to the civil aviation and safety regulations relevant to airports, including certification by CASA of airport operations. So it would still be regulated and approved by CASA.

Senator O'BRIEN—But, subject to it continuing to meet CASA's regulatory requirements, it could continue as an airport?

Mr Dolan—That is correct.

Senator O'BRIEN—And it does not require any action by government to amend the legislation—promulgation of regulations—to allow that to happen?

Mr Dolan—No, Senator.

Senator O'BRIEN—What effect, if any, would the Airports Act have on that continued operation? I suppose there are a lot of effects. I think what you are telling me is that there is no impediment under the Airports Act for that operation to continue—is that right?

Mr Dolan—That is correct. If there is no lease on foot in relation to the airport, then the Airports Act no longer applies to the airport.

Senator O'BRIEN—Is there any information which would tell us what the ramifications for the local community and the aviation industry would be if Hoxton Park ceased to operate as an airport?

Mr Dolan—I am not sure what material is available, but we can certainly take that question on notice.

Senator O'BRIEN—Can you tell us the basis of deciding to sell a long-term lease for each of Camden and Bankstown airports, as opposed to the short-term lease arrangements for Hoxton Park?

Mr Dolan—The basis is an intention by the government to explicitly maintain aviation operators at both Bankstown and Camden and to offer the purchaser of Hoxton Park the opportunity to decide between various possible uses, including aviation, for Hoxton Park.

Senator O'BRIEN—Why does the government prefer all three airports to be packaged together for sale as a group?

Mr Dolan—That is more a matter for the Department of Finance and Administration. The assessment would have been in terms of the best value for money for the Commonwealth in the sale process and that would be the way forward.

Senator O'BRIEN—I take it that this strategy means that the Commonwealth will have no say in how the Hoxton Park site is developed once it reverts to freehold, if it ceases to be an airport?

Mr Dolan—That is correct. It would be determined under the New South Wales planning and related legislation.

Senator O'BRIEN—Has the minister or the department received any community or business representation supporting or opposing the announced sales strategy?

Mr Dolan—The department has received some correspondence expressing concern about the possible future arrangements for Hoxton Park Airport and some correspondence seeking clarification about the future arrangements that might apply to Bankstown.

Senator O'BRIEN—Is it possible to know which organisations are concerned about the sale in the form that it is proceeding or not? Presumably, there are individuals and there are people who are corresponding with the department or the government on behalf of organisations?

Mr Dolan—Individuals and individuals on behalf of organisations. Since this matter is being handled by our colleagues in Finance and Administration, I will refer your question to them and get a response to you on notice.

Senator Ian Macdonald—I doubt if Mr Anderson's office would want people contacting them as a general rule.

Senator O'BRIEN—I suspect that he makes those judgments on a case-by-case basis, Minister. On the question of war risk assurance and charges for insurance cover, at the last estimates hearing I received information that, under the Commonwealth aviation liability indemnity deeds provided to airlines, \$1,013,490 had been collected in charges during the three months to 30 November 2002. What was the total amount collected for the quarter ended 28 February this year? It was expected to be a lower number as the number of indemnified parties decreased as commercial insurance became available. What is the total amount collected to date?

Mr Bogiatzis—The total collected by all identified parties by the end of February this year was \$3,464,000.

Senator O'BRIEN—I take it that means 1.45—

Mr Bogiatzis—No; 1.355, collected in the three-month period 1 December to 28 February.

Senator O'BRIEN—Well, \$1.013 million was collected in the three months to 30 November.

Mr Bogiatzis—The revised figures I have before me are: to 30 November, \$2,109,166; and, for the following three-month period, \$1,355,054.

Senator O'BRIEN—When was that revision arrived at?

Mr Bogiatzis—I am sorry?

Senator O'BRIEN—I was relying on previous advice that it had been just over \$1 million. It is significantly over \$2 million, as it turns out. When was that revised?

Mr Bogiatzis—For the period to the end of November?

Senator O'BRIEN—Yes.

Mr Bogiatzis—We constantly finetune our figures, so I am not sure exactly where the variation of \$100,000 falls.

Senator O'BRIEN—No, it is a variation of \$1 million.

Mr Bogiatzis—If you are working from the question on notice, the question on notice was specifically in relation to airlines.

Senator O'BRIEN—I see.

Mr Bogiatzis—The figure I have given you is in relation to all indemnified parties, which I think I did say when I gave you the figures.

Senator O'BRIEN—I am sorry. I did ask about airlines, but perhaps my question was not as clear as it could have been. Do you have the airlines figure?

Mr Bogiatzis—I do; my apologies. For all airlines: \$1,012,000 for the period of three months to the end of November and \$797,739 for the three months to the end of March.

Senator O'BRIEN—Thanks for that. The estimated actual revenue for 2002-03 is listed in the PBS at page 98 as \$4.772 million. Is there any information which would tell us how we are travelling to date with regard to that number?

Mr Bogiatzis—Yes. We would estimate that the period to the end of May would probably bring in roughly another \$980,000, which would bring us to about \$4.4 million. Then we would anticipate for the one-month period about another \$300,000 to 30 June, which would bring us roughly to the \$4.7 million. It could still be slightly less than that.

Senator O'BRIEN—Was any claim or were any claims made by any airline or airlines during the period of the indemnity? I must say that I cannot think of any circumstances in which they would arise, but perhaps you can just clarify that for me.

Mr Bogiatzis—No claims have been made against any of the indemnities.

Senator O'BRIEN—What is the total cost to the Commonwealth as a result of providing this indemnity?

Mr Bogiatzis—There is no cost in relation to claims against the indemnity. There are some costs in relation to the administration of the program.

Senator O'BRIEN—What are they?

Mr Bogiatzis—I do not have specific figures. They would be for the employment of several staff.

Senator O'BRIEN—Could you give us your best estimate of what that cost would be?

Mr Bogiatzis—I could take that on notice, but it would be in the order of a couple of hundred thousand dollars.

Senator O'BRIEN—It appears as though taking a risk is going to be a nice earner for the Commonwealth, as it turns out—\$4.5 million.

Mr Bogiatzis—I cannot comment on whether it is a nice earner. The Commonwealth has entered into a significant potential liability in relation to extending this cover.

Senator O'BRIEN—Can you tell me whether, given the state of tourism and the state of the aviation industry as a result of matters which have been referred to by the minister—SARS, September 11, Bali, the war in Iraq et cetera—the government has considered returning this money to the airlines?

Mr Bogiatzis—Senator, that is not a factor that we have taken into account in our administration of the program. That is a decision for the government.

Mr Dolan—I am not aware of it, Senator.

Senator O'BRIEN—I understand that. Can you confirm that other aviation countries have likewise charged their airlines for this indemnity? For example, did the US charge their airlines? Did France? Did the UK?

Mr Bogiatzis—Different countries have responded in different ways in terms of providing indemnity. The United States has devised its own program to provide indemnity during the period, and ICAO has certainly been working with its members to develop a program as well.

Senator O'BRIEN—I am sorry; did you say there was a charge for that indemnity?

Mr Bogiatzis—The United States developed a program, which I understand was called 'equity time' which provides cover for its airlines. My understanding was that there was a charge, but I would need to confirm that. But ICAO is also developing a program called 'global time' with its members in order to provide a universal scheme.

Senator O'BRIEN—Is it expected that that will result in the levying of charges against the airlines under that scheme?

Mr Bogiatzis—Senator, I am having trouble hearing you for some reason.

Senator O'BRIEN—Is it expected that the airlines, under the ICAO plan, will need to make payments for the indemnity?

Mr Bogiatzis—Definitely, Senator.

Senator O'BRIEN—Can you tell me what this division's budget is for this year?

Mr Dolan—The current expenses budget for this year is \$9.7 million. That is split between \$7.8 million for employee expenses and \$1.9 million for supplier expenses. Within that, there is revenue of \$450,000 which relates mostly to the activities of the Airspace Implementation Group.

Senator O'BRIEN—What is the staffing level for this year?

Mr Dolan—There are 102 staff.

Senator O'BRIEN—What is the executive component of the staff component? You have a first assistant secretary—

Mr Dolan—There is a first assistant secretary and three assistant secretaries. I am sorry, but I do not have the budget number in front of me for that.

Senator O'BRIEN—Is that the component for each of the divisions, Mr Yuile—one and three?

Mr Yuile—No, Senator, it varies from division to division.

Senator O'BRIEN—Can you give us that detail for each division on notice, please?

Mr Yuile—I can probably tell you now. In relation to the Aviation and Airports Policy Division, there is a first assistant secretary and three assistant secretaries. In relation to the Regional Policy Division, there is a first assistant secretary and two assistant secretaries. In relation to the Regional Programs Division, there is a first assistant secretary and three assistant secretaries. In relation to the Territories and Local Government Division, there is one first assistant secretary and two assistant secretaries. In relation to the Transport Programs Division, there is one first assistant secretary and two assistant secretaries. In relation to the Transport Regulation Division, there is one first assistant secretary and three assistant secretaries. In the Transport Security Division, we have one first assistant secretary and currently one acting assistant secretary.

Senator O'BRIEN—Currently?

Mr Yuile—Currently. As we explained yesterday when we were talking about transport security, the Aviation Security Policy Branch will be melded with our broader transport security functions. There is also the Economic Research and Portfolio Policy Division, which has one first assistant secretary and four assistant secretaries. The Australian Transport Safety Bureau has one executive director—first assistant secretary equivalent—and one assistant secretary and, as I think we also explained yesterday, one executive of that division who is not an SES officer but is a specialist, so is in a different category. We have a Corporate Division, which has one first assistant secretary and three assistant secretaries.

Senator O'BRIEN—Is it possible to get the—

Mr Yuile—Sorry, four assistant secretaries.

Senator O'BRIEN—It is growing by the minute. Is it possible to get the employment component of the budget for those groups of positions by division?

Mr Yuile—Sorry, Senator; what do you mean by employment—

Senator O'BRIEN—For example, we have a number we have just received for this division's budget of \$7.8 million for employment expenses. Is it possible to get the figures for those executive—

Mr Yuile—The SES component of our employee expenses; is that what you are asking for?

Senator O'BRIEN—Yes.

Mr Yuile—We do not have a separate salary component for SES. Those SES officers were on workplace agreements with our secretary. Can I check that? I do not want to provide information that might compromise individual salary arrangements.

Senator O'BRIEN—Given that they are all groupings, it would be a collective amount.

Mr Yuile—It might be that we can give you a departmental grouping.

Senator O'BRIEN—I am asking for a divisional grouping.

Mr Yuile—Can I take that one on notice?

Senator Ian Macdonald—Are you after just a lump sum for the five of them? Or the three or four of them?

Mr Yuile—You are not asking for individual sums?

Senator O'BRIEN—There are 10 of them. I am not asking for individual salaries. There are 10 groups.

Senator Ian Macdonald—What was the last one you mentioned—the corporate governance section?

Senator O'BRIEN—Corporate is 1 and 4, I think.

Senator Ian Macdonald—So you just want a total sum for groups 1 and 4?

Senator O'BRIEN—The employment expenses for 1 and 4, yes.

Senator Ian Macdonald—We will see what we can get. I understand what you want.

Senator O'BRIEN—I am not asking for individual salaries, and I wouldn't think they would be ascertainable from those figures. They are not just salaries, anyway; they are employment expenses.

Mr Yuile—It is a package.

Senator Ian Macdonald—I can see you are trying to work out how to save the department money, Senator.

Senator O'BRIEN—I suppose I am looking in the context of our discussion the night before last about intended savings and restructuring, and at what is there if that is the intent of potential savings.

Senator Ian Macdonald—Your questions will put a chill through the department, I would think.

Senator O'BRIEN—I am sure things occur that are much more concerning than my questions, Minister. In relation to administered receipts, on page 98 of the PBS under the heading, 'Sale of Goods and Services and Other Sources of Non-Taxation Revenue', I want an explanation for the 19 per cent reduction in the revenue item called 'Cost recovery for Airport Building Controllers and Airport Environmental Officers at leased airports'.

Mr Dolan—That is something that is handled in the Airport Planning and Regulation Branch in the Transport Regulation Division. We will have to take that on notice.

Senator O'BRIEN—I want to know if there has been a reduction in staff numbers. Perhaps you could ask them if they could direct me to where I would find information on the number, classification and level of officers at each of the leased airports in the past five years and whether the cost of these officers is fully recovered from airport owners and if not what proportion is recovered.

Mr Dolan—I will arrange for that to be asked.

Senator O'BRIEN—The Civil Aviation Amendment Bill 2003 before the Senate Rural and Regional Affairs and Transport Legislation Committee proposes new governance arrangements for CASA that impact on the department, for example removing the CASA board, more direct reporting to the minister and an enhanced role for the secretary of the department. Have these changes been factored into the budget and are they therefore before these estimates with regard to what is required for the department's role in these functions?

Mr Dolan—Yes, in our planning for next year, which as you know is still underway in terms of budget allocations, the resource implications of the changed arrangements have been very much factored in.

Senator O'BRIEN—What value has been put on them?

Mr Dolan—We have not put an explicit value; we have, as part of the planning process, outlined the likely workload and that is still in discussion as part of the overall resource allocation process in the department.

Senator O'BRIEN—Will we find any reference to these new functions in the budget papers?

Mr Dolan—No. It is seen as part of the general policy function of my division to provide the necessary support to the minister and to the secretary.

Senator O'BRIEN—I want to ask some questions about the national airspace reforms. The budget supplements funding for the national airspace reforms to the tune of \$2.1 million—that is on page 21 of the PBS I think.

Mr Dolan—Yes, Senator.

Senator O'BRIEN—Can you provide a breakdown of how that figure will be spent?

Mr Dolan—We can provide the broad elements and Mr Smith can provide more details. We are still finalising the break-up between staff costs and the costs of developing education programs for the pilot community.

Mr M. Smith—Broadly speaking, the staff costs met by the division relate to five members of the implementation group. Therefore the bulk of the allocation is devoted to development and distribution of pilot education and training material to support, in particular, the next stage of implementation, which is one of the more significant components of the NAS implementation.

Senator O'BRIEN—Where will the development of this information be done?

Mr M. Smith—Much of it is being done in-house using the resources within the implementation group, but also drawing on the expertise of staff who have been loaned to us from other agencies supporting the project.

Senator O'BRIEN—Which other agencies are lending their staff?

Mr M. Smith—The Department of Defence have staff with us, Airservices Australia have staff with us and we have an arrangement with staff from the Civil Aviation Safety Authority to be able to produce, in particular, printed material and video material.

Senator O'BRIEN—Are their costs included in the \$2.1 million?

Mr M. Smith—Some of those costs are included, particularly in relation to any travel that needs to be undertaken, the print production costs and some of the distribution costs.

Senator O'BRIEN—I have not come to that part; I was asking about development. How much is attributable to development in that \$2.1 million?

Mr M. Smith—I would have to take that on notice. We are still very much in the development phase of the program so it is a little difficult to answer directly.

Senator O'BRIEN—How much is it expected will need to be directed to Defence, Airservices and CASA for their assistance?

Mr Dolan—This is an additional component. There is a range of education and other activities which are already undertaken by Airservices and CASA.

Senator O'BRIEN—I know that but I am asking about this development activity.

Mr M. Smith—It is in addition to the contributions that would be made by other agencies as part of their normal programs for pilot, air traffic controller and defence personnel training in relation to new rules and procedures.

Senator O'BRIEN—Yes. But I am asking—to understand your earlier comments—whether you can quantify what payments or reimbursements will need to be made by the department to Defence, Airservices and CASA.

Mr M. Smith—No reimbursement. That is not the intention.

Senator O'BRIEN—How much is it expected will be expended on production costs for publications arising from this information activity?

Mr M. Smith—It would be close to \$400,000.

Senator O'BRIEN—How much is expected to be expended for distribution?

Mr M. Smith—It looks to be around \$120,000. It is usually the case, however, that in distributing these types of materials, where we can take advantage of other distributions from related agencies to incorporate our material and therefore bring the overall cost down. But I anticipate that the department will expend around \$120,000 on distribution of these materials.

Senator O'BRIEN—Is any of this funding intended to apply to the establishment of an airspace directorate?

Mr Dolan—No.

Senator O'BRIEN—I cannot find any earlier funding appropriation for that program. How much was appropriated previously for the establishment of the airspace directorate and when did that occur?

Mr Dolan—There has been no appropriation for the establishment of an airspace directorate.

Senator O'BRIEN—Is it expected that the national airspace reform process will be completed by the end of 2003-04?

Mr M. Smith—It is expected that the bulk of the reforms will have been implemented by the end of 2003-04. However, airspace is an ongoing matter. As technology, traffic levels and patterns evolve there will almost certainly be further refinement of any system, whether it be the current system or a future system. This program should complete its work by the end of 2003-04 but airspace issues—as I said, in relation to technology, traffic patterns and so on—will continue to drive further reform of airspace into the future.

Senator O'BRIEN—Could you tell us how much was spent on the national airspace reforms program in the current financial year?

Mr Dolan—There is no easy answer to that question, I am afraid, because of the roles played by CASA, Airservices and Defence as part of their ongoing business in this. We can take the question on notice and get you a response.

Senator O'BRIEN—Can you give me information about travel, accommodation and expenses costs which have been paid to individuals?

Mr Dolan—Yes.

Senator O'BRIEN—Can you tell me in that breakdown what the salaries and consultancies component has been and, in relation to consultants particularly, what payments have been made and to whom?

Mr Dolan—Yes, but I do not have the figures in front of me.

Senator O'BRIEN—I am happy with that. I think you said that some of the cost of this project has been borne by CASA, Airservices, ATSB and Defence.

Mr Dolan—Not ATSB.

Senator O'BRIEN—But the other three?

Mr Dolan—Yes.

Senator O'BRIEN—Is it possible to find out what the cost of this program has been to those three organisations?

Mr Dolan—That was what I intended when I undertook to answer the other questions.

Senator O'BRIEN—Thank you. At previous estimates hearings, we have explored the national airspace system and its differences and similarities with the US. In essence, we have been told there are minimal differences between the NAS proposal and the US model. Does the department stand by that view?

Mr M. Smith—Yes, we do.

Senator O'BRIEN—In answer to a previous estimates question taken on notice, AAP 05, we were told:

It is proposed to reclassify this airspace to Class E above 8,500 feet in busy areas and above 14,500 feet over the rest of Australia. Below the Class E airspace, Class G airspace will be used, but this will follow US practice with the Australian unique directed traffic information service for Instrument Flight Rules aircraft removed.

Mr M. Smith—That is correct.

Senator O'BRIEN—That is still accurate?

Mr M. Smith—Yes.

Senator O'BRIEN—Is the directed traffic information service to IFR aircraft unique to Australia?

Mr M. Smith—The way we provide the directed traffic information service is not completely unique but almost. From memory, the other place in the world where a similar service is provided is Afghanistan, and that was during periods when their air traffic control system was not available. What we are talking about in Australia is really what they call ICAO class F airspace, and we are almost unique in the world in providing the class F service. I think there is one other place, which is to helicopters operating to oil rigs in the North Sea; they get a class F or a directed traffic information service. But Australia is almost unique.

Senator O'BRIEN—That answer also said:

Three different sets of procedures currently apply at aerodromes in Class G airspace. For example, aircraft operating at Cooma, Adaminaby and Bathurst all have different radio requirements. Under the NAS proposal, these will be replaced by a common procedure for all aerodromes in Class G airspace, largely unchanged from the current Australian Common Traffic Advisory Frequency (CTAF) procedures such as those used by aircraft at Bathurst and consistent with US practice.

Mr M. Smith—That is correct.

Senator O'BRIEN—Is this consistent with US practice?

Mr M. Smith—Yes, it is. The NAS introduces in stage 2 what are known as operations at non-towered aerodromes. It is essentially the US CTAF procedure. We have already replaced one procedure in November last year, so we are down to two procedures in Australia for those aerodromes. In November this year it is our intention to replace the procedures at all of those remaining aerodromes with the US CTAF procedure.

Senator O'BRIEN—Is one of the attractions of the NAS proposal, in the view of the government, its similarity to the US system? That is obviously seen as a strength of the proposal.

Mr M. Smith—Yes, it definitely is.

Senator O'BRIEN—I understand that the suggestion that the models were so similar was also the reason given for the NAS model not requiring a full design safety case.

Mr M. Smith—Some components of the NAS, because they are directly lifted from the US FAA practice and rules, will not require a design safety case. That is the advice that CASA has given us. There may be occasions when an implementation safety case actually extends to design issues, and that is fairly normal. There may also be occasions when it might be necessary to do design safety cases. However, none of those have been revealed to date.

Senator O'BRIEN—Are you aware of a report by Captain Robin Beville-Anderson entitled *A study of airspace and procedures in the US NAS*?

Mr M. Smith—I am aware of the report; I am not intimately familiar with it.

Senator O'BRIEN—On 2 April this year, Captain Richard Higgins, President of the Australian Federation of Air Pilots, forwarded Captain Beville-Anderson's report to the minister with a covering letter that said:

You will note that despite the many claims to the contrary, the report concludes that in terms of procedures and service delivery, the proposed Australian National Airspace System (NAS) falls short of the US system. Obviously, these shortfalls merit further examination and discussion.

Captain Beville-Anderson, in the introduction to his report, says:

In late February and early March 2003 a field study was made of the United States ...

The purpose of the study was to allow a group of Australians with specialist ATC and regulatory knowledge, to gain a first hand knowledge of the US NAS. In doing so the team sought to identify if and where the Australian NAS proposal has any significant differences to the US NAS, and to determine the procedures which would need to be implemented in Australia.

Do you know what Captain Beville-Anderson's qualifications are?

Mr M. Smith—No I do not. I presume as a minimum he would have an airline transport pilots licence. Since he operates as a captain for Eastern Australian Airlines, he must have that as a minimum. Other than that I am not aware.

Senator O'BRIEN—He was a line captain with Eastern Australian Airlines and the airspace and procedures delegate for the Australian Federation of Air Pilots. He accompanied the government personnel and actively participated as a team member in the information gathering and analysis process. In terms of the field study, who did Captain Beville-Anderson accompany?

Mr M. Smith—There was a team of about 10 people from Airservices Australia, the Civil Aviation Safety Authority and my group. I can provide the names on notice.

Senator O'BRIEN—Can you give us the details of their qualifications at the same time, please?

Mr M. Smith—I can do that.

Senator O'BRIEN—The report makes some startling findings about the level of difference between the proposed system and the US system. At page 4, it says:

It is clear that the Australian NAS proposal has significant differences to the US NAS. The proponents of the AUSNAS can only have had a superficial understanding, and experience of, the US NAS. Whether this is due to naivety or complicity is open to question, but it is beyond the scope of this report.

They are fairly serious allegations about, essentially, the basis for the claim that the Australian NAS and the US NAS do not have significant differences.

Mr M. Smith—The opinion of Captain Robin Beville-Anderson is not shared by many people who are familiar with both the US system and the Australian proposal.

Senator O'BRIEN—You have not read this study, I take it.

Mr M. Smith—I am familiar with some of the observations of the study, but I should say a couple of things: the study falls short of a full description of the US system; it also falls short of providing a full understanding of the Australian NAS proposal. That is something that we see quite frequently in studies that attempt to draw comparisons between the two systems.

Senator O'BRIEN—Has the minister responded to the report?

Mr M. Smith—Not to my knowledge.

Senator O'BRIEN—It would seem to me that these comments are likely to generate concern about the airspace design process and the basis for its professional input and expertise. They do not help the case of the proposal for the introduction of the new National Airspace System, do they?

Mr M. Smith—I am not sure that that is true. If you try to look at a system at a high level, which I believe this report does, then you can draw conclusions that are not necessarily true in relation to the proposal. In order to illustrate the point, I would like to draw your attention to a letter that I received from Captain Beville-Anderson only yesterday in relation to changes that have taken place already. The point I wanted to make is that, as you look at each component of the Australian NAS, which is based on the US FAA's NAS, you can see that we are implementing those elements of the US NAS in line with what they do in the US.

The Australian Federation of Air Pilots in particular talk about the stage 1 changes in response to our questions for the post-implementation review of stage 1. They talk about, for instance, altimetry—use of local QNH by VFR aircraft. They say the AFAP has received no feedback from members and they say that it seems to have no significant effect. So it is not an issue. It is the US system. With multicomms, again it is the US system. The letter says:

There has been a significant and readily observable reduction in the use of ATC frequencies for circuit traffic at non-CTAF airports. This has made a small improvement in reducing chatter on those frequencies.

It goes on to talk about giant CTAFs. In fact it makes a recommendation to the NAS. I think this is where Captain Beville-Anderson has been naive in what he believes we propose, because he recommends to us that we remove the giant CTAF procedures that exist in the Northern Territory. If he were familiar with the NAS, he would understand that that is precisely what is proposed for stage 2 of the NAS.

When people look at the overall system and attempt to compare the two, what they are really doing is comparing an environment with significantly higher levels of traffic than we have in Australia and significant additional technologies to those we have in Australia, and then attempting to make a high-level comparison. If you examine each of the components of the proposed Australian NAS and compare those with the same components of the US NAS, you will find the similarities are startling.

Senator O'BRIEN—You have used the term 'similarities'. Captain Richard Higgins talked about falling short of the US system and Captain Beville-Anderson said it had significant differences. Would you categorise those comments as naïve?

Mr M. Smith—Yes, I would, Senator.

Senator O'BRIEN—But your own term is that the system is similar. There are differences, therefore, I take it?

Mr M. Smith—There are differences in where airspace classes are allocated, simply because of the traffic levels that do not exist in Australia. It would be useless—crazy—to provide controlled airspace at aerodromes that are at locations where there are one or two flights a day. In the US, in the busy period of the day, you will find that there are 9,000 IFR aircraft being tracked by their system. In Australia the figure is in the low hundreds. To suggest that we introduce the levels of controlled airspace that exist in the US—which are there to meet their traffic levels—in an environment where we have, in their terms, we would say, no traffic, then it is crazy.

Senator O'BRIEN—So you say the differences in Australia are significant?

Mr M. Smith—No, I do not, Senator. I say the differences in traffic levels are significant.

Senator O'BRIEN—No, I am not talking about the NAS; I am talking about the aviation industry and issues such as density distance between ports, and the like. There are significant differences, I take it, between the two countries and their aviation systems. I take that to be what you are saying, or are you saying there are no significant differences?

Mr M. Smith—There are significant differences in the traffic levels and the traffic patterns—yes, definitely; no question.

Senator O'BRIEN—Why is it hard to accept Captain Beville-Anderson's view that Australia's NAS proposal has significant differences from the US system? Wouldn't you expect that if the traffic systems in the aviation industry were significantly different?

Mr M. Smith—Where traffic levels are similar to the US, we will provide the same service that the US provides. The rules that will exist in each of the classes of airspace that we operate in Australia will be the same as the rules that exist in those classes of airspace in the US. We will allocate the classes of airspace on the same basis as they allocate those airspace classes in the US. I do not call those significant differences. There are parts of the US—

Senator O'BRIEN—I understand what you are saying, but Captain Beville-Anderson takes the view, when he looked at the two systems firsthand, that there are significant differences. It is a matter of your judgement versus his.

Mr M. Smith—Not only my judgment but the judgment of the implementation group, of the Aviation Reform Group and of numerous others who are part of the aviation reform process.

Senator O'BRIEN—Versus perhaps members of the Australian Federation of Air Pilots, who fly in the system on a daily basis.

Mr M. Smith—Versus a member of the Australian Federation of Air Pilots.

Senator O'BRIEN—I am not sure that is correct. You allege that. I take it from the correspondence that the Australian Federation of Air Pilots have a view which has the support of the organisation, not just one member. I do not think that is an unreasonable proposition.

Senator Ian Macdonald—The officer has given you his view and the view of the group, but other people have a view—

Senator O'BRIEN—But Mr Smith said that the view that AFAP was putting was the view of one pilot, and I think that is demonstrably wrong.

Mr M. Smith—Senator, the report that you referred to was prepared by Captain Robin Beville-Anderson whilst he was in the US. I do not believe he prepared it in consultation with other members of his federation. Be that as it may, the report is his report.

Senator O'BRIEN—He does not profess it to be anybody else's, but it was forwarded to the minister by the President of AFAP, with the suggestion—

Senator Ian Macdonald—It is a free country—everyone is entitled to a view. The officer has told you his view or the view of his organisation.

Senator O'BRIEN—I think the significance is that there is an argument about the comparison of the two systems and whether there are significant differences between the two systems. Whether the difference is significant is in the eye of the beholder, but the judgment that there are no significant differences seems to warrant the decision that the NAS model does not require a full design safety case. We have had the answer to the question in that regard earlier in this estimates hearing this morning from Mr Smith.

Senator Ian Macdonald—But Mr Smith has given you his view and the view of his organisation. You are suggesting that captain whoever has a better idea. That is your view.

Senator O'BRIEN—He has another view, which he puts strongly.

Senator Ian Macdonald—That is fine. Mr Smith has told you the basis of the attitude that his organisation has taken. If you have a different one or Captain Whosimagig has a different one—

Senator O'BRIEN—Captain Beville-Anderson. There has been some questioning of the expertise of the Airspace Reform Group. Its members are on the group in a private capacity. Can you remind the committee who the members of ARG are?

Senator Ian Macdonald—And, possibly, their qualifications?

Mr M. Smith—The Aviation Reform Group is chaired by Ken Matthews, Secretary of the Department of Transport and Regional Services. I do not believe he has particular aviation qualifications. On the group also is Angus Houston, Chief of Air Force, who most certainly does have particular aviation experience and qualifications, both in Australia and the United States. We have Mr John Forsyth, who is a qualified pilot. He flies his own helicopter. In

another capacity, he is chairman of Airservices Australia and he has some expertise as a result of that. There is Mr Dick Smith, who is well-known—

Senator Ian Macdonald—I do not think we need to go further—he is well known.

Mr M. Smith—He is well known and has significant aviation experience, both in the United States and Australia.

Senator O'BRIEN—And a history of being an advocate for certain activities—

Mr M. Smith—He is an advocate for airspace reform—there is no question of that.

Senator O'BRIEN—which have been the subject of much controversy.

Mr M. Smith—Aviation is a very conservative industry and people there are—

Senator O'BRIEN—I am glad of that. I use it a lot.

Mr M. Smith—Finally, there is Mr Ted Anson, who, again, has no particular aviation experience, but he is in another capacity currently the chairman of the Civil Aviation Safety Authority.

Senator O'BRIEN—He is the chairman of the board that is being abolished?

Mr M. Smith—The Aviation Reform Group still exists and the board of CASA still exists. I am answering in the context of the current and not the potential situation.

Senator O'BRIEN—Are you questioning government policy on the abolition of—

Mr M. Smith—Not at all. The participating observers on the Aviation Reform Group are Mr Bernie Smith, who is the CEO of Airservices Australia and a pilot himself, and Mr Mick Toller, who is the CEO or director of the Civil Aviation Safety Authority and who, of course, has significant Australian and international aviation experience as a former airline pilot.

Senator Ian Macdonald—It is a pretty impressive group, I would have thought.

Senator O'BRIEN—Forsyth, Anson, Toller and Smith are all part of the aviation establishment. That might not be the best terminology, but they were all appointed to positions by this government. There does not appear to have been anyone appointed from outside of the government inner circle on this issue for the airspace reform group. Be that as it may—

Senator Ian Macdonald—I do not agree with that, but so what?

Senator O'BRIEN—I think it would be useful to have had a broader representative group on this body given that it is about major reform of the airspace system which, as you say, has attracted some concerns from a very conservative aviation community in Australia.

Senator Ian Macdonald—I will pass on your suggestion to Mr Anderson.

Senator O'BRIEN—That reform group made the decision to adopt this model; I understand that correctly, do I?

Mr M. Smith—They made the recommendation to the minister that this should be the model for the future for the Australian airspace.

Senator O'BRIEN—We were told at the last estimates hearing that Mr Wes Willoughby had been engaged to cost the NAS model. Has Mr Willoughby completed that work?

Mr Dolan—Mr Willoughby has completed the report.

Senator O'BRIEN—Was that the report that Minister Anderson tabled in the House of Representatives yesterday?

Mr Dolan—That is my understanding.

Senator O'BRIEN—Where does one get a copy of that report?

Senator Ian Macdonald—The House of Representatives Table Office, I would think.

Senator O'BRIEN—I do not think it is quite that simple, because the shadow minister as of this morning had not been able to get a copy.

Senator Ian Macdonald—That is a matter he should take up with the Clerk of the House of Representatives, I would have thought. But anyhow, I am sure we can get a copy. They are obviously not as efficient in the House of Representatives as we are in the Senate.

Senator O'BRIEN—That is probably true, but I am glad that we can obtain a copy despite the inefficiency of the House of Representatives.

Senator Ian Macdonald—I should qualify that by saying that in the chamber, as efficient. Some of the other procedures in the Senate are very inefficient, like this one.

Senator O'BRIEN—Who set the terms of reference for Mr Willoughby's work? Was it the airspace reform group?

Mr Dolan—Yes, it was the Aviation Reform Group.

Senator O'BRIEN—What did Mr Willoughby find in relation to the expected cost saving from the introduction of the proposed National Airspace System?

Senator Ian Macdonald—We are giving you a copy of his report, aren't we?

Senator O'BRIEN—I do not have the opportunity to assimilate it and to ask questions that arise, so I thought it might be useful to do that now rather than follow another process later, perhaps even using the processes of the Senate, Minister.

Mr Dolan—Like you, Senator, I do not have a copy of the report at this point. My recollection of the content of the report is estimated savings of the order of \$70 million.

Senator O'BRIEN—Does Mr Willoughby's report respond to Captain Beville-Anderson's proposal for the continuation of directed traffic information in class G airspace?

Mr M. Smith—The NAS certainly does not contemplate the continuation of directed traffic information in the en route class G environment. In that respect, it mirrors the low density, low level class G airspace in the US where directed traffic information is not a component of that system.

Mr Dolan—Mr Willoughby was asked to address the NAS as put forward and being implemented by an implementation group and that does not involve the provision of DTI.

Senator O'BRIEN—So he did not address Captain Beville-Anderson's proposal, but rather the costing of the model that was proposed by the ARG?

Mr M. Smith—The report was produced prior to and concurrent with Captain Beville-Anderson's visit, so certainly it could not have taken into account any of Captain Beville-Anderson's suggestions or recommendations.

Senator O'BRIEN—Do we know what the cost implication of continuing directed traffic information in class G airspace is?

Mr Dolan—The report that Mr Willoughby has prepared includes assumptions about the removal of DTI and therefore there will be some conclusions associated with that about the continued costs of providing it.

Senator O'BRIEN—One of the comments that Captain Beville-Anderson makes—it is in the executive summary of his report—is this:

The message that came through clearly from senior FAA officials and the professional pilot organisation US ALPA, is that each country must apply the ICAO classifications to their airspace and ATC resources. We were cautioned on a number of occasions that it was a significant risk to attempt to adopt the procedures and terminology of another country's ATC system.

If that is what senior FAA officials and professional pilot organisations said of the US system, are we not taking a significant risk, as he says, in attempting to adopt procedures and terminology of another country's air traffic control system?

Mr M. Smith—There would be a risk if it was not properly managed and that is entirely the reason that we conduct very comprehensive implementation safety cases and hazard identification workshops and we include representatives from the AFAP and from Civil Air and from our industry, as well as expertise from within the Commonwealth organisations responsible. We have also engaged expertise from the FAA to assist us with our deliberations and the results of these are very carefully examined and mitigations determined before we even suggest that we are ready for implementation of these procedures. So yes, I agree there are risks associated with it—those are the most significant ones to manage—and that is entirely why we go through such a rigorous process and why we have such a strong pilot and air traffic controller education and training program.

Senator O'BRIEN—What is the difference between an implementation safety case and a design safety case? Because that is a critical difference between the two positions, isn't it?

Mr M. Smith—It is. What I should say, though, is that in conducting an implementation safety case it is very difficult not to also address elements of design and generally, in ensuring that those associated with the hazard identification workshops have a very good understanding of exactly what it is that we are proposing to implement, a lot of design issues are discussed. The difference, though, is that in conducting an implementation safety case you are looking at the risks and the mitigations associated with actually implementing an existing procedure. In a design safety case you are looking at the risks and mitigations associated with a procedure that has not previously been demonstrated and hence elements of design and factors which have not been experienced have to be simulated and hypothesised. So there is that kind of a difference between a genuine design safety case and an implementation safety case. But I need to reiterate that in conducting an implementation safety case it is almost impossible to ignore elements of design in ensuring that those doing the work and participating in the workshops have a full understanding of the issues that are being discussed.

Senator O'BRIEN—From what you are saying, it sounds like the tests applied in a design safety case are at a higher level than in an implementation safety case.

Mr M. Smith—By necessity, because you are really looking at hypothetical situations that you cannot have observed or had experience with in real life. Design, by its nature, is a new thing. So when we look at implementing an existing procedure we can draw on the experience of the operation of that procedure, piece of equipment or aircraft on a long-term basis with the benefit of significant experience in operation, which you cannot do with a new procedure or piece of equipment.

Senator O'BRIEN—Captain Beville-Anderson says, for example:

The US NAS has numerous subtle nuances, which present a risk of confusion for pilots who are not familiar with the system. By comparison the Australian system tends to be specific, even pedantic, in having only one meaning attached to each term.

It is clear that the Australian NAS proposal has significant differences to the US NAS. The proponents of the AUSNAS—

As he puts it—

can only have had a superficial understanding, and experience of, the US NAS.

That is where he goes to the question of naivety or complicity. I guess that is where the decision to follow a design instead of an implementation case is most able to be challenged, isn't it, Mr Smith?

Mr M. Smith—I am not sure that I quite understand the question.

Senator O'BRIEN—The decision has been made not to have a design safety case. It is an implementation safety case. The argument of Captain Beville-Anderson talks about differences and nuances and essentially goes to the question of what he describes as the significant differences between the systems, which you in part concede in what you say, I think. I am just questioning the judgement of pursuing the lesser test in the circumstances.

Mr M. Smith—Each of the components of the NAS are assessed on a case-by-case basis to determine whether there is a design issue or not. To date, no design issues have been identified. However, if they are, the Civil Aviation Safety Authority, among others, has made it quite clear that design safety cases would be required. If we chose to go down the path of implementing something that was unique we would also conduct a design safety case. But I reiterate that to date we have not found components of the proposed Australian NAS that require that. I am not suggesting, though, that that might not happen in the future.

Proceedings suspended from 10.34 a.m. to 10.51 a.m.

Senator O'BRIEN—I have just been informed that the report tabled in the House yesterday has just appeared at the House of Representatives Table Office. Hopefully, that appearance was not spurred by my earlier comments, but we now have a copy, thank you. I am not directing that to those at the table. Mr Smith, have the department or the minister received responses to Mr Willoughby's report from Airservices, CASA and BTRE?

Mr M. Smith—Yes, they have.

Senator O'BRIEN—Is it possible for those responses to be provided as well?

Mr Dolan—They were comments that were prepared for the Aviation Reform Group in its role as the minister's adviser so I would have to take that on notice.

Senator O'BRIEN—I have heard that they are critical of Mr Willoughby's report in some respects. Is that so?

Mr Dolan—There are certainly a range of views in relation to Mr Willoughby's report that will be the subject of discussion in the next meeting of the ARG which is due for next month.

Senator O'BRIEN—Are there any other bodies or parties that are or were privy to Mr Willoughby's report prior to its becoming publicly available?

Mr Dolan—Not that I am aware of, Senator. Members of the ARG had access to the report. As a result, several officers of the department, in their role of providing support to their ARG, also had access. That is all that I am aware of in terms of its distribution.

Senator O'BRIEN—Is it possible to get a detailed response to the issues raised in the report by Captain Beville-Anderson?

Mr M. Smith—A response is being prepared, Senator, and that will be available once it is ready.

Senator O'BRIEN—Will it be available to this committee?

Mr M. Smith—Yes, I can provide it to the committee once the response has been prepared.

Senator O'BRIEN—Has the minister received resignation letters from any members of the Airspace Reform Group, the ARG?

Mr Dolan—That is a question I would have to refer to the minister.

Senator O'BRIEN—If they had been received, could you also see if the minister will tell us the reason given in each letter for wanting to resign?

Mr Dolan—I will pass on that request to the minister.

Senator O'BRIEN—Could you also ask the minister if he would let us know what his response to those letters has been?

Mr Dolan—Yes.

Senator O'BRIEN—Given that I have not had an opportunity to look at Mr Willoughby's report, perhaps you can help us now. Was Mr Willoughby asked to look at issues beyond the airspace system?

Mr Dolan—Yes.

Senator O'BRIEN—Did his review go to issues associated with competition policy?

Mr Dolan—It did.

Senator O'BRIEN—Was the issue of competition policy required to be addressed under the original terms of reference?

Mr Dolan—Yes.

Senator O'BRIEN—What did Mr Willoughby recommend in relation to competition related matters?

Mr Dolan—You have the advantage over me; I do not actually have the report.

Senator O'BRIEN—I do not have the advantage over you because I have seen the front page but I did not read it in the 30 seconds I had to look at it.

Mr Dolan—Genuinely, I cannot recall. I can provide my response to that but I assume you can read it in the report.

Senator O'BRIEN—Do you know, Mr Smith?

Mr M. Smith—No, I do not. Like you, I do not have one in front of me here.

Senator O'BRIEN—Has the minister taken any view as to the recommendations made by Mr Willoughby?

Mr Dolan—The minister has not indicated to me any views. All I am aware of is his response to a question in the House when he tabled the report.

Senator O'BRIEN—Does the report have implications for the structure of Airservices Australia?

Mr Dolan—Yes.

Senator O'BRIEN—Is it suggested that Airservices be broken up in any way?

Mr Dolan—It refers to the possibility of some form of competition, so to that extent, yes, it does involve breaking up. There are also issues of an airspace directorate, as I recall. I am relying on memory here.

Senator O'BRIEN—I understand that you will provide fuller answers afterwards and if there is any difficulty in what you say now you will correct it then.

Mr Dolan—Yes.

Senator O'BRIEN—There is a bit of a whisper out there that there is a recommendation that there would be competition between the two TAAATS control centres.

Mr Dolan—That was what I was referring to, from my recollection.

Senator O'BRIEN—Isn't that something that is beyond the scope of the airspace reform initiative that is the subject of the ARG's task?

Mr Dolan—That relates to the term of reference given to Mr Willoughby in relation to the application of the government's competition policies to air traffic.

Senator O'BRIEN—I take it CASA and Airservices were consulted in the course of Mr Willoughby's review.

Mr Dolan—Yes.

Senator O'BRIEN—Was there consultation with any other organisations or individuals?

Mr Dolan—There was certainly consultation with the department and consultation with me personally. There was consultation separately in the department with the bureau of transport and research economics. That is the extent to which I am familiar with the consultation undertaken. Mr Smith may be familiar with others.

Mr M. Smith—The only other one that I believe there was some limited consultation with was the Department of Defence, particularly the Air Force.

Senator O'BRIEN—Going back to the question of directed traffic information in class G airspace, my understanding is that, if there is a change in relation to that proposal, Mr Willoughby's costings will go out the window in terms of savings from the implementation of these changes. Is that a fair comment?

Mr Dolan—My understanding of the report is that, because it is based on the NAS, which involves removal of directed traffic information, yes, it is critically dependent on whether or not that is removed. The assumption is that that will happen with the NAS and that savings will accrue as a result.

Senator O'BRIEN—Do you know what savings are attributable to the removal of DTI in class G airspace?

Mr Dolan—No, Senator.

Senator O'BRIEN—Is that clear from the report? Perhaps I should not ask you that, because you do not have the detailed information on it. Is it possible to find out the cost implications of continuing DTI in class G airspace, or should I ask Airservices that question?

Mr Dolan—Certainly we would be asking Airservices for the answer to that question, so it is probably better if you ask them directly.

Senator O'BRIEN—Okay. Can you explain the reasons for the 13 per cent reduction in the standing contribution to the International Civil Aviation Organisation, which appears to have been reduced by \$204,000 for this year and next year?

Mr Dolan—Mr Bogiatzis may well be able to supply some additional information, but my understanding is that our assessed contribution varies from year to year based on exchange rates. Our contribution is payable in US dollars and so, as the Australian dollar improves, it costs us less.

Senator O'BRIEN—The PBS shows a further reduction in 2004-05, revising it to \$196,000. Is that a currency related change as well?

Mr Bogiatzis—Yes, it is.

Senator O'BRIEN—What is the anticipated rate of exchange upon which the calculations are based?

Mr Bogiatzis—I would need to calculate that. These are projections that are broadly made. The actual figure for 2003, being \$1.595 million, was reduced to \$1.39 million as a consequence of currency variation. As for the actual currency rate for future projections, I do not know on what basis it was made. It is a minor variation from this year.

Mr Dolan—We can certainly get clarification for you, Senator.

Senator O'BRIEN—If you can give me the number upon which it is based—it should not be difficult, should it?

Mr Bogiatzis—No, it should not be difficult.

Mr Dolan—Excuse me, Chair. Mr Smith has an engagement in Brisbane. We do not want to prevent appropriate discussions of airspace and other issues but, if he is no longer required, could he be excused?

Senator O'BRIEN—I am concluding this division's program with this issue of ICAO funding so, if he is not required for that, bon voyage.

Mr M. Smith—Thank you, Senator.

Senator O'BRIEN—It appears that the forecast ICAO commitment is to be reduced further in the out years, if my advice is correct on the PBS and the PAES.

Mr Bogiatzis—The Australian commitment is for \$US800,000. That commitment will not be altered and \$US800,000 will be provided for each of the out years. These are mere estimates of what \$800,000 might look like in Australian dollars in the out years.

Senator O'BRIEN—Can you give me the currency exchange rate value on which the predictions are based for the out years as well, please?

Mr Bogiatzis—We can do that.

Senator O'BRIEN—How long has that \$US800,000 been our commitment to ICAO?

Mr Dolan—The organisation reassesses contributions from the contracting states, I think, on a three-year cycle, but we can confirm that. The basic Australian commitment is that we will always meet our assessed contribution to the organisation, and the estimates reflect that.

Senator O'BRIEN—Is there somewhere I can see what the historic commitment has been in US dollars or can you provide me with that?

Mr Dolan—We could certainly provide you with that. How far back would you like us to go?

Senator O'BRIEN—Is 1990 too big an ask?

Mr Dolan—No, it should not be.

Senator O'BRIEN—Apart from contributions, what other costs do we incur in participating in ICAO?

Mr Dolan—We, jointly with CASA and Airservices, fund an office in Montreal. There is an Australian member of the ICAO Council who has one member of staff working with him and there is also the Australian commissioner to the Air Navigation Commission, so those are the costs effectively of the overseas representation to ICAO. In addition, there are people working in Mr Bogiatzis's branch in Airservices in ICAO on ICAO related matters.

Senator O'BRIEN—Can you give me information on the cost of the participation of the office in Montreal and how it is shared between the department and those organisations.

Mr Dolan—Certainly the Montreal figures, yes.

Senator O'BRIEN—Are there any costs within the department which are attributable to our ICAO participation?

Mr Dolan—Yes. They would be a little hard to disaggregate, because there is no-one who is full-time on those sorts of things. There is the cost of travel—for example, I participated in the most recent air transportation conference in Montreal in March and there are costs associated with that. It would be a difficult one if you more particularly looked at Airservices and CASA, given that ICAO is the international standard setting agency for a whole range of matters—plus our security people.

Senator O'BRIEN—I can understand that concern, so I suppose participation in the forums of ICAO would be of particular interest to the extent that it creates regulatory obligations. Obviously, I accept that it would be near impossible to disaggregate but organisational participation is the cost that I am looking for. If we could have it for this year and the projection for the coming financial year.

Mr Dolan—Yes, we will give you our best estimate of those.

Mr Bogiatzis—However, I can give you the costs of the Montreal office. Estimated costs on a yearly basis in Australian dollars are \$738,000.

Senator O'BRIEN—Is that shared between—

Mr Bogiatzis—It is shared equally between the three agencies.

Senator O'BRIEN—In equal shares?

Mr Bogiatzis—Correct. Is your request for other costs in relation to all three agencies or in relation to the department only?

Senator O'BRIEN—To all three agencies would be useful. Can we have information on who has attended ICAO forums and a full breakdown of the costs of participation at each attendance?

Mr Bogiatzis—Yes, we can do that.

Senator O'BRIEN—That will give you enough homework, Mr Bogiatzis. I have concluded with the division. Thank you very much.

Mr Dolan—Before we conclude, there are two more issues that we agreed to seek clarification on. You asked yesterday evening whether the minister had made a submission to the ACCC on Airservices' price increases. The minister has not made such a submission. He has not considered whether there will be a submission in future from him, and he has declined to provide a copy of Airservices' response to his request for a three-month deferral.

Senator O'BRIEN—Why am I not surprised?

[11.13 a.m.]

Civil Aviation Safety Authority

ACTING CHAIR—I welcome representatives from CASA to the hearings.

Senator O'BRIEN—Welcome back. I want to ask some questions about cockpit audible alarms. I understand, Mr Gemmell, you sent out letters to owners and operators regarding aural cabin pressure alarm systems. The letter was dated 26 May, but it went out yesterday; is that correct?

Mr Gemmell—The letter is certainly dated 26 May. If it went out yesterday, that is news to me. It may well have, but I thought it went out on 26 May.

Senator O'BRIEN—The letter provides background to this issue and refers to the issuance of a discussion paper and an NPRM.

Mr Gemmell—The letter provides some background to the issue. Its purpose was not to provide background to the issue; it was to encourage people to look at the fitting of audible alarms.

Senator O'BRIEN—In the letter you state that both of the documents proposed that CASA would issue an airworthiness directive to mandate this equipment for turbine engine pressurised aircraft. You then state that you were convinced otherwise; that you formed a view that such an installation should be a matter for the aircraft owner and should not be mandated; is that correct?

Mr Gemmell—Yes, we formed the view that it would be best at this stage if we did not mandate the fitting of those alarms but recommended them to owners.

Senator O'BRIEN—The letter then identifies two manufacturers of this equipment. I want to go through the process that both these manufacturers were required to follow in the development and manufacture of this equipment. Can you confirm that both these companies meet and have met to date all the necessary regulations and conditions?

Mr Gemmell—It might be best if I get Neville Probert up to answer questions on the details of our dealings with those particular companies.

Mr Probert—There are two items of equipment manufactured in Australia and available commercially today which are known to CASA. They are the two identified in the letter dated 26 May. These two items of equipment are rather different in character. The one described as being manufactured by Aeronautical Electronics Corporation is in fact a piece of equipment that has been available for quite some time, probably several years at least. It is primarily an electronic checklist, totally unrelated to cabin pressure in its initial formulation. It provides an electronic checklist on the glare shield in the cockpit for pilots to check off the things they need to do prior to engine start, prior to takeoff, prior to descent and so on.

That electronic checklist has been adapted in the last year or two by that company to have an additional function. That additional function is to sense the cabin pressure and to provide a visual warning and an aural warning to the flight crew. It taps into the aircraft system only to the extent of drawing electrical power. It is installed in the aircraft on the basis that it is simple and causes no hazard and no interference other than drawing off electrical power—that has presumably been shown to be safe. Consequently, it does not have to meet any CASA design standard—or any international design standard, for that matter. Its role in the cockpit has as much potential for impact on the aircraft as perhaps a simple entertainment system that might tap into the aircraft electrical system. The bottom line is that it does not have to meet any CASA requirements. To the best of my knowledge there has been no approach by that manufacturer to obtain any form of approval from CASA.

The second item of equipment listed on page 2 of the letter is the one manufactured by Electric Force Measurement in Melbourne. It has been developed and installed in Beech 200 aircraft to this date. To my knowledge it has not been installed in an aircraft of any other type, but I am sure it can be adapted to other aircraft types. It has been demonstrated to CASA that, where it taps into the existing warning systems, it causes no hazard and no interference. But, of course, in tapping into the aircraft system, there is the potential for interference and for hazard. It has been demonstrated that that interference and hazard is non-existent or, if it does exist, the risk level is very low. It can be adapted to other aeroplane types depending on the

complexity of the existing warning system in the aeroplane. The Beech 200 is a normal category aircraft and it has, in the broad spectrum of things, a relatively simple warning system. Whether the Electric Force Measurement device could be adapted for a more sophisticated aeroplane such as a Cessna Citation or a de Havilland Canada Dash 8 I have no idea. It is only the manufacturer of that equipment who could comment on the degree of difficulty of adapting that system to other aircraft types.

Senator O'BRIEN—So I take it there are two different processes with respect to each of the two devices, or there is a process for one and no process for the other. Which is the best way to describe it?

Mr Probert—Probably the best way to describe it is that it is a significant process for the Electric Force Measurement equipment because it has the potential to interfere with the existing aircraft warning system, which is much more than just cabin pressure. It is a warning for all manner of things. It drives cockpit enunciators, lights, master warnings and things like that. The Aeronautical Electronics Corporation is a stand-alone system. It is attached to the glare shield of the aircraft. It interferes with the existing aircraft system only to the extent that it draws off electrical power.

Senator O'BRIEN—Did both companies have to submit a design advice process?

Mr Probert—Electric Force Measurement certainly did. That item of equipment is installed in the aircraft with an approval given by an authorised person, who would have submitted a design advice either for the item of equipment or possibly even for individual aircraft. I am not conversant on the exact process that Electric Force Measurement and their customers have used. In the case of the Aeronautical Electronics Corporation checklist system, I do not believe it is necessary to install a design advice for that. That can be installed in individual aircraft with an approval by an authorised person without that authorised person having to refer to CASA using a design advice.

Senator O'BRIEN—I understand that this process is designed to determine regulatory and compliance requirements. Do I understand that correctly?

Mr Probert—I am sorry, Senator. I could not hear your question.

Senator O'BRIEN—I understand that this process is designed to determine regulatory and compliance requirements. Do I understand that correctly?

Mr Probert—The process of submitting a design advice and obtaining approval is intended to ensure that the design of the modification meets Australian regulations and relevant standards.

Senator O'BRIEN—Once CASA has evaluated that data, it provides an authorisation for the installation of the equipment under CAR 35. Do I understand that correctly?

Mr Probert—That is correct.

Senator O'BRIEN—So that is the regulation that relates to the approval of design or modification to aircraft or parts.

Mr Probert—That is one of a couple of regulations that are relevant, yes.

Senator O'BRIEN—CAR 30 is for approval for manufacturing of components, isn't it?

Mr Probert—Regulation 30 is for the issue of a certificate of approval, which can cover a broad range of activities. Maintenance is one of them; the design and manufacture of components is another.

Senator O'BRIEN—If it is one or the other, which of those regulations is designed to subject authorisation to satisfactory compliance testing—CAR 35, CAR 30 or both?

Mr Probert—Regulation 35 refers to approval of the design of a modification, and approval of the design will inevitably rely upon a certain amount of testing on an appliance like this. The approval of the manufacturer of the component is covered by regulation 30. There will be testing involved in approval for the manufacturer, as well as the testing required for approval of the design.

Senator O'BRIEN—Are you saying that, of these two devices, only Electric Force Measurement's has had to go through this process of compliance testing? Or will have to go through it—I am not sure which is true.

Mr Probert—The appliance manufactured by Electric Force Measurement has been through that process. It has been approved and installed in a small number of Beech 200 aircraft.

Senator O'BRIEN—But the Aeronautical Electronics Corporation device has not been through this process?

Mr Probert—I am not certain about that. I suspect that Aeronautical Electronics Corporation has a product which is so lightly installed in the aircraft and has so little potential for interference and hazard that it is possibly manufactured outside the regulation 30 system. That is something I can take on notice and obtain further details for you.

Senator O'BRIEN—If you would. It seems as though you are saying that it has not undergone compliance testing in accordance with regulation 35 and that the manufacturer has not undergone compliance testing under regulation 30.

Mr Probert—I believe there is some basis to that, yes. I have heard a little information to that effect—and that does not greatly surprise me. An item of equipment that is to be installed deeply in an aircraft obviously has the potential to influence safety and is going to require significant testing. An item of equipment that is only lightly installed in the aircraft—such as an entertainment system or a device for producing coffee and hot food—will tap into the aircraft electrical system. It may well utilise existing electric power points, but its potential for influencing the safety of the aircraft is much less significant.

Senator O'BRIEN—Yes, a coffee maker or a sound system probably does. We are talking about a component that is designed to be an aid to safety in the aircraft, isn't it?

Mr Probert—Yes, it is an aid to safety. It is not mandatory.

Senator O'BRIEN—No—that is a decision for CASA.

Mr Probert—I would say it is a decision for the aircraft owner and operator when we are talking about the electronic check list produced by Aeronautical Electronics Corporation. The aircraft has been manufactured and approved with a certain suite of instruments and safety equipment. This electronic check list that we are talking about is an optional item of equipment that aircraft owners are at liberty to purchase and install, but there is no compulsion to do so. The aircraft is satisfactory without it. The owners have obviously decided it is an enhancement if they choose to add it.

Senator O'BRIEN—Like an airbag in a car, it is an optional extra—is that how you would categorise it?

Mr Probert—It is probably similar to an airbag in the sense that airbags are often an optional extra—certainly, in the sorts of cars that I own, they are an optional extra.

Senator O'BRIEN—That would be the same for me. If I understand you correctly, Aeronautical Electronics Corporation has not been required to undertake formal testing of that device?

Mr Probert—I believe that is correct but I have not done any detailed research on that.

Senator O'BRIEN—How is the Aeronautical Electronics Corporation device exempt from the requirements of regulation 35?

Mr Probert—I believe the electronic check list can be installed in any aircraft with the approval of an authorised person—that is, a person authorised under regulation 35. There is probably a significant number of authorised persons in Australia who could approve the installation of that electronic check list without requiring any reference to CASA. They can do that within their own terms of reference, their own instrument of appointment. It is when an authorised person has been asked to approve the design of a modification or a repair that goes outside their terms of reference—outside the terms given on their instrument of appointment—that they must first submit a design advice to CASA. CASA is then alerted to the existence of the project and can provide input in the form of standards which are to be met before the design is approved. I am suggesting that the item of equipment designed and manufactured by Electric Force Measurement is quite a significant piece of equipment in that it taps into the aircraft's existing warning system.

Senator O'BRIEN—I understand how it is different in complexity and how it operates in the aircraft, so you do not need to repeat that part of it. I guess I am trying to save time. What I am wondering is this: is that the factor that excludes the piece of equipment that is less sophisticated—the Aeronautical Electronics Corporation piece of equipment—from the operation of regulation 35?

Mr Probert—I believe it is, Senator. Mr Toller has just asked me how we decide. I think the answer is that the decision is made by the authorised person himself. He is familiar with his instrument of appointment, which has been given to him by CASA, and he is familiar with his terms of reference and he knows how far he can go before he reaches the limit beyond which he cannot act without first submitting a design advice to CASA.

Mr Gemmell—I will clarify that so you can understand. The CAR 35 authorised person is authorised by CASA for the purposes of that section, so they have an authorisation from CASA to do certain things. In a sense, they are not outside CASA's purview; they are moving through an authorised person.

Senator O'BRIEN—I am looking at the equipment versus the installer issue, which is the difference that we are talking about now.

Mr Gemmell—Yes.

Mr Toller—It is a bit like the difference between plugging something into the cigarette lighter of your car to get some power out of it or having it fitted as an extra that requires holes in the dashboard and all that sort of thing—that is a very simplistic way of looking at it. I have never seen the Aeronautical Electronics Corporation electronic check list but that is effectively what that is. You plug it into the cigarette lighter and some of it stands up on top of the dashboard and is an additional aid. Into that they have put a sensor for cabin pressure and a warning system. It is very Heath Robinson. It is basic.

Senator O'BRIEN—It does not look Heath Robinson from what I have seen. It is a discrete device. I bow to CASA's knowledge about how the two function differently. The issue in my mind is if the additional aspect of the simpler component is a significant safety factor and CASA are effectively drawing it to the attention of aircraft operators. I want to be

certain that there is not any deficiency in the test process that is applied to both items. That is why I want to understand the different dealings with the two pieces of equipment.

Mr Toller—It is purely an issue of potential interference with existing aircraft systems, and that is the critical—

Senator O'BRIEN—And not the functionality of the piece of equipment?

Mr Toller—We are not talking about the functionality of the—

Senator O'BRIEN—I understand that. I guess that is the nub of the issue, in my mind. If this is a device which is designed to emit an aural warning when a hazard occurs, can you demonstrate to me why regulation 35 does not apply? I accept that if regulation 35 does not apply then probably 30 does not to apply to the manufacturer.

Mr Toller—As I say, to me that is an issue of potential interference with existing aircraft systems—in other words, part of the certification of the aircraft. So the Electric Force Measurement system has the potential to interfere with a certificated part of the aircraft, which is the existing aircraft aural warning system. The Aeronautical Electronics Corporation add-on device has no potential that we can see whatsoever for any interference and therefore does not fall into the remit of CAR 35 and CAR 30.

Senator O'BRIEN—So it is interference rather than effectiveness that is—

Mr Toller—Yes. This is not an issue of effectiveness in all, because there are no standards against which we can judge it for effectiveness.

Senator O'BRIEN—The only way you could judge it for effectiveness is to test it, isn't it?

Mr Toller—In our world, no; we actually go into fairly complex technical standards. We are not talking about things like whether it goes off when it should; it goes into the full design, failsafe measures et cetera. No technical standards have been written for an independent cabin pressure aural warning system. What you do have with the certificated aircraft is that it is part of the full certification of the aircraft.

Senator O'BRIEN—So the compliance testing process would be to test how the more complex device interfaces with the systems of the aircraft, rather than whether it was a functional device as well as how it interfaced with the functionality of the aircraft?

Mr Toller—Certainly that is my understanding, yes.

Senator O'BRIEN—It has been suggested to me that one of the companies offers a non-aircraft device and the other a compliant aircraft device. Is that a fair way to categorise the two products?

Mr Probert—That sounds as though it is a comment very similar to one I have also heard coming from Electric Force Measurement. It is their perspective, and I suspect there is certainly some truth in it. I am not suggesting that that is unlawful or underhand; it is simply a reflection of the different character of the two devices.

Senator O'BRIEN—It is suggested that the non-aircraft device would not be compliant with the standards for software in aircraft systems, which I am told is RTCA/DO-178B.

Mr Probert—That may well be so. The implication is that the device manufactured by Electric Force Measurement does comply with those software standards. If that is so, I would say it is a voluntary gesture by Electric Force Measurement. There is no Australian standard, international standard or CASA regulation which says that either of those items of equipment must meet any standard for functionality. The approval given by the authorised person—the acceptance of these devices by CASA—is not an indication of the reliability or functionality of these systems. It is not an approval that that says these things will work when they are

required to. It is only a statement that says that these items of equipment will not cause hazard or interference in the aircraft in which they are installed.

Senator O'BRIEN—Do both pieces of equipment work through the aircraft's radio system—in other words, into the headphones?

Mr Probert—I understand that they do not. The electronic check list does not, to the best of my knowledge; it only provides an aural signal into the cabin, which the crew must hear over the headphones. The Electric Force Measurement system is more sophisticated. It definitely provides an aural tone into the cabin. Whether it provides input to the pilot's headphones I do not know. I do recall some comments to our NPRM, indicating that the aural warnings should not compulsorily come through the pilot's headphones. I understand that most aural warnings do not come through the pilot's headphones—the headphones are reserved for voice communication.

Senator O'BRIEN—If a system is to go through the aircraft's radio system into the headphones, does it require any particular compliance?

Mr Probert—It does. It would have to again show no hazard and no interference with the existing system.

Senator O'BRIEN—Are both of the devices hardwired into the aircraft system?

Mr Probert—The system supplied by Electric Force Measurement certainly is. To the best of my knowledge, if the electronic check list is hardwired it is only as a source of electrical power.

Senator O'BRIEN—As to the Aeronautical Electronics Corporation device, material from their web site says:

This model incorporates into the EC-TS—

I guess that is the product—

an altitude pressurisation warning system that meets the CASA requirements as applied for.

What does that mean?

Mr Probert—It does not mean a lot to me. I think it is a statement of the manufacturer's intentions, referring to CASA's requirements as applied for.

Senator O'BRIEN—Are you saying they have not applied for any compliance authorisation?

Mr Toller—We will take that on notice. We are clearly not aware of any at the moment, but we will go and check.

Senator O'BRIEN—It does not mention anything about headphones. It says:

If cabin pressure is allowed to reach 12,000 feet, a flashing red warning light accompanied by a 95 Db screamer and continuous warning will be heard from the audio system (when installed).

Does that mean the device has another system attached to it which is an audio system?

Mr Probert—I do not believe so; I believe that there are at least two models of that electronic check list available commercially. The original model does not have the cabin pressure function. The later model does. When they say 'when installed', possibly they are just saying when the electronic check list is installed—the model with the aural warning.

Senator O'BRIEN—There are a number of models referred to. I do not know if you are familiar with the model number for the unit that you have been talking to us about. This refers to model EC-APWS. It appears to have two warning lights, one for 10,000 feet and one for

12,000 feet and it is the one that is described as having a 95-decibel screamer. Is that the model that you are talking about or are you not sure?

Mr Probert—I only know of it as the Aeronautical Electronics Corporation electronic check list. I have no knowledge of the model numbers or the specifications. They are certainly not in front of me.

Senator O'BRIEN—It says the cost of each unit includes software for IBM-compatible PCs, and cables for computer connection and aircraft installation. What would you understand that to mean?

Mr Toller—It is predominantly an electronic check list system which can be modified as the check list is changed. The PC software and cable is for amending the check list side of the functionality of the system.

Senator O'BRIEN—And the cable for aircraft installation would be presumably power supply wiring. Another thing they mentioned was 'audio system when installed'—I presume that is what that means.

Mr Toller—I think that is the area where we have probably got slight concerns and we will certainly take it away and have a look at their design and ensure that it does not interfere with any systems within the aircraft.

Senator O'BRIEN—I thought you said it did not.

Mr Toller—We are not aware of any, but the way that that is written, which I have not heard before, almost implies that it does.

Senator O'BRIEN—We got this off their web site yesterday, so presumably it is fairly up to date. Do you treat this equipment as part of the aircraft in that it provides information to the pilot?

Mr Probert—The equipment manufactured by Electric Force Measurement I am sure is regarded as aircraft components. There is a legal definition of aircraft component. The electronic check list I suspect does not qualify as an aircraft component.

Senator O'BRIEN—I am struggling with what you are saying because the issue about this is not the check list aspect of the component or part or accessory, or however you want to describe it, but it is the alarm function as part of the safety system of the aircraft. I am struggling to understand how it would not be seen as an aircraft component if it is part of the safety system.

Mr Probert—I can probably explain, Senator. Intuitively you look at all items of safety equipment in an aeroplane and imagine that they are essential and mandatory. In fact, that is not true. Aircraft contain redundant features and also aircraft are modified by the installation of optional pieces of equipment. We are talking here about an optional piece of equipment. It is not mandatory; CASA has not made it mandatory and the manufacturers of the Beech 200 have not made it mandatory, so we are looking at an item of equipment which enhances safety but is not a mandatory safety feature of the aeroplane.

Senator O'BRIEN—If you had mandated audible alarm systems, would this device be required to satisfy regulation 35?

Mr Probert—Did you say to satisfy regulation 35?

Senator O'BRIEN—Yes.

Mr Probert—If we had mandated aural warnings, regulation 35 would not have any greater significance than it does in the present situation.

Senator O'BRIEN—Would there be other regulatory requirements?

Mr Probert—Yes, there would.

Senator O'BRIEN—And where would they sit?

Mr Probert—That depends on how we would mandate it. In our NPRM we would—

Senator O'BRIEN—Would it have to be manufactured by someone authorised under regulation 30 if you had mandated the device?

Mr Probert—Not necessarily, I would say.

Senator O'BRIEN—Why not?

Mr Probert—The requirement for an item to be manufactured by an approved manufacturer, I believe, is dependent on whether the item qualifies as an aircraft component. If it is an aircraft component, there are requirements applied to it. If it does not qualify as an aircraft component—

Senator O'BRIEN—So if something is mandatory for a particular type of aircraft, it is not necessarily an aircraft component?

Mr Probert—Just because something is made mandatory, I believe, it does not necessarily mean that it is an aircraft component.

Senator O'BRIEN—If CASA—I am not sure of 'promoted' is the right term—advertised a particular product in response to addressing a safety issue, does it follow that we must be absolutely certain that it has met whatever regulatory tests appropriately apply to it? I suppose that is a question for Mr Toller.

Mr Toller—I think the answer is yes, if there are regulatory tests that do apply to it. I think that is really the crux of what we are saying at the moment. If there are there two separate systems here, one of which is complex, is clearly part of the aircraft and requires the full approvals of CAR 30 and CAR 35, and a much simpler system, would the simpler system still meet our requirements if they were mandatory? That would depend on how we defined the standards if we had made it mandatory. We have not made it mandatory. There are no standards. We have just put the pressure, if you like, as strongly as we can on the owners and operators of pressurised aircraft to fit a form of aural warning. The onus then rests on the owner of the aircraft and the operator of the aircraft to decide the level of sophistication of the system that they wish to put into the aircraft and that they are prepared to pay for.

Senator O'BRIEN—The ABC radio current affairs program *PM* last Wednesday exposed what I think they depicted as an ongoing struggle between ATSB and CASA on the issue of audible depressurisation alarms in aircraft. We know that this issue came to light most recently in the ATSB's investigation of the tragic flight from Perth that crashed in Queensland after a long unpowered passage, killing all on board. The ATSB recommended the installation of audible alarms and that was backed by the Western Australian coroner. This incident was not the first time depressurisation incidents or accidents have occurred, as I understand it. You have written to ATSB saying, as we now know, that you will not implement their recommendation. Can you tell us the reasons?

Mr Gemmell—Can I first say that it is not reasonable to describe it as an ongoing struggle between us and the ATSB. In the normal course, the ATSB makes recommendations to CASA and CASA has an obligation to go away, analyse those, do such things as cost-benefit analyses on them and consult with industry about them. We went off and did that. The outcome was, as you know, that we have not accepted that recommendation. We have proposed a non-mandatory process at this stage. As to the reasons, I think it would be useful to table this

document, which is a summary of responses to the NPRM—the Notice of Proposed Rule Making—that we put out on the proposal for an aural warning. It is a public document. It sets down the process we have been through, the arguments we received from industry, what the responses were, what our disposition towards them was and what we are going to do about it. It is available on our web site and it was sent out to all interested parties in April. It sets out really comprehensively the reasoning and what the industry thought about the proposition.

Senator O'BRIEN—That may assist us in putting to bed some arguments. I presume that has the list of reasons for declining the recommendation.

Mr Gemmell—It goes through all of what people put to us and our disposition towards that. One thing to bear in mind is that, if we had mandated it, we would be the only country in the world to have done so. There is no other country that requires these aural warnings, and we would be the first to do that. That would mean an aircraft manufactured overseas that would currently be able to be imported and fly here would have to be modified before it could fly here—and similarly when it was exported.

Senator O'BRIEN—That is not unique. Requirements that are different here from in countries overseas are placed on aircraft in terms of operation. BAe146, for example, is an aircraft on which different requirements are imposed here. Isn't that right?

Mr Toller—There was a unique AD which, from memory, a number of other countries have subsequently followed.

Senator O'BRIEN—We led the way.

Mr Toller—We led the one on that one; that is right.

Senator O'BRIEN—That is not a bad thing to do, is it?

Mr Toller—It is not unknown, but in general, in view of the fact that international standards are based on international safety statistics, we have to know something significantly different from the rest of the world. There is sufficient history over a long period of time of pressurisation accidents—of which there have been very few—and the most public of those was always the Payne Stewart ghost flight, and the aural warning was fitted and was going off the whole time throughout that incident.

Senator O'BRIEN—Do we really know that it was going off the whole time?

Mr Toller—We know it was going off for the last 30 minutes of flight.

Senator O'BRIEN—Yes. We do not know that it was going off the whole time. That may be the supposition, but I do not think anyone knows that.

Mr Toller—We know it came on at some stage.

Senator O'BRIEN—No-one who was on board it remains alive to say when the alarm actually was audible.

Mr Toller—That is right, but we know it was operating.

Senator O'BRIEN—Having an airbag in the car does not mean you will survive a collision; it just improves your chances. If it does not deploy, that is a fault in perhaps the installation or the product but it does not necessarily make the safety device undesirable. Mr Gemmell, given you are in effect recommending two devices if the owner wishes to install them, presumably those are able in CASA's view to be installed in aircraft in accordance with the regulations. I am presuming—and correct me if I am wrong—that the cost of the supply and installation of those units is not prohibitive. Is that right?

Mr Gemmell—We would understand that. I think the words I use are ‘low cost’. Are those the words I use in the document? I forget now.

Senator O’BRIEN—So do I.

Mr Gemmell—But they are certainly not prohibitively costly installations.

Senator O’BRIEN—Apparently, and the *PM* report says this, your letter to the ATSB: ... acknowledged the alarms could contribute a potential safety benefit, but said that benefit wasn’t sufficient to warrant the compulsory fitting of devices.

Firstly, is that a fair and accurate representation of the view you put to ATSB in that regard?

Mr Gemmell—Where is that quote from?

Senator O’BRIEN—I am quoting from the *PM* report, and they were purporting to quote your letter to ATSB.

Mr Gemmell—The text of our letter is on the ATSB web site.

Senator O’BRIEN—They are probably accurate, then.

Mr Gemmell—It does not sound completely out of court, but I cannot tell you that is exactly how we said it. To get in your mind, the issue is about CASA mandating it. It is not the question of whether we think it is a nice thing or a good thing to have—we do—but a question of whether we mandate it. The problem that comes is that for some aircraft that would be ‘prohibitively’ expensive.

Senator O’BRIEN—Like the Dash 8.

Mr Gemmell—The Dash 8 is an example, and you can read in there that we did contact them. In fact, that is the group that used the word ‘prohibitively’. The analogy that I drew is that it is a little like deciding to fit airbags and then deciding you are going to retrospectively fit them to all cars that are on the road.

Senator O’BRIEN—You could make the analogy with seatbelts, and then your argument falls down, I think, because that is exactly how it happened.

Mr Gemmell—It does not; you have to look at the costs involved in doing that and the capability of the car to do that. You could apply the analogy of seatbelts to buses, for example—they are not required. It certainly would be a safety enhancement, but part of the problem of that is that the buses were not built to handle them. There are other issues to that, too.

Senator O’BRIEN—Buses were not built to handle that—

Mr Gemmell—They were not, so they have not been fitted. That is the issue that you have to look at—what is the cost of doing it; what is available; how can you do it; is there something cheap that you can whack in so that it is all fine; can all aircraft accommodate that? In some cases it would be prohibitively expensive and the aircraft would not fly et cetera. Hence we did not mandate it.

Senator O’BRIEN—Some people say that about CASA regulation per se.

Mr Gemmell—Some people do.

Senator O’BRIEN—They do.

Mr Gemmell—We hear it all the time. It just establishes that, when people with credibility say it, we listen to them and have regard to them.

Senator O'BRIEN—So anyone who says that has no credibility? When someone tells me that the cost of regulation means that their RPT air service to Flinders Island or somewhere like that is uneconomic and cannot operate, I should not take them as credible.

Mr Gemmell—You need to be careful, Senator—

Senator O'BRIEN—I am.

Mr Gemmell—on the cost of regulation. They may have a point and you could ask them: 'Which particular regulation is it and what is expensive about it?' Whether it is economic to fly to Flinders Island probably has very little to do with the cost of regulation and a lot to do with the economics of flying and what people are prepared to pay to fly there.

Senator O'BRIEN—I have heard a very contrary argument, but let us not get distracted by that one. On the *PM* program, Peter Gibson from CASA is quoted as saying:

The unanimous view that came back from the industry was that it was not a move that they could support.

Mr Stray from ATSB then refuted that feedback, arguing that only one-third of the 30 respondents rejected the proposal. So who was right in that exchange?

Mr Gemmell—Firstly, Mr Gibson said 'the near-unanimous view', rather than 'the unanimous view'—or at least that is what he is quoted in my records as saying. The facts are—to give you the table out of the document again, and this is just the raw figures, which would represent major organisations or individuals, and there are 30 respondents—that five accepted the proposal without change, five thought the proposal was acceptable but would be improved if changed, 10 thought the proposal was not acceptable but would be acceptable if changed, and 10 thought the proposal was not acceptable under any circumstances. The weight of all that—

Senator O'BRIEN—Near-unanimous.

Mr Gemmell—I guess 'near-unanimous' in my view is gilding the lily a little bit.

Senator O'BRIEN—Only a little bit?

Mr Gemmell—To some extent, it is gilding the lily. On the other hand, the argument that two-thirds accept it outright is not correct. So I think they both managed to get—

Senator O'BRIEN—Mr Stray said, 'One-third rejected the proposal.' Whether you say 'rejected the proposal outright' attaches to that statement—

Mr Gemmell—He then goes on to say:

... two thirds either accepted outright or accepted with slight amendment.

That is not right. One-third accepted either outright or with slight amendment, not two-thirds.

Senator O'BRIEN—I think that is not actually correct according to what you just told me. You said that 15 of the 30 either accepted the proposal but would have liked to see some change or did not accept the proposal but would if it were changed.

Mr Gemmell—It depends on how you want to count them, I guess. In strict terms, 10 have said it is acceptable and 20 have said it is not acceptable.

Senator O'BRIEN—In its current form.

Mr Gemmell—Yes. Then there is a group in the middle who say, 'My view can be varied if there are some changes to this.'

Senator O'BRIEN—What sort of changes?

Mr Gemmell—There are lots of ideas and thoughts about all that. You would have to look through the documents. I have to tell you that is just the raw figures. For example, the view of one of the major representative groups, the Regional Aviation Association, is one comment in there, but they represent the bulk of operators who will be using these types of aircraft. They are against it, so we are more conscious of that view.

Senator O'BRIEN—I gather the cost of units depends on the aircraft and what you want to install or what is mandated. As I understand it from information I have been given, Peter Gibson said:

We were looking at six figure sums to fit these alarms into some air craft, which are worth less than that amount of money.

Is that accurate?

Mr Gemmell—It is along the lines of the sorts of things we are looking at. For some aircraft, the costs could be very significant and for some aircraft—particularly older aircraft; that is where the problem arises—it could cost a lot more than they are worth. That is why I was trying to give you the airbags analogy; it is the best way to think about it. The cost of installation into a piece of equipment that is old and not worth very much would probably be more than it would be to install it in a modern aircraft.

Senator O'BRIEN—We would probably be talking about something like Dash 8s, wouldn't we?

Mr Gemmell—In relation to Dash 8s, they certainly used the word 'prohibitive' and talked in terms of hundreds of thousands of dollars simply to develop whatever it was we were going to put in the aircraft.

Senator O'BRIEN—I think we were told that \$Can337,000 was suggested by the manufacturers.

Mr Gemmell—I cannot remember the exact figure; it was \$Can300,000-odd. But that was just for the development of whatever this piece of kit was going to be to go into the aircraft.

Senator O'BRIEN—Is there a document you can supply to us which gives some detail on the varying cost of these devices, or is it in the tabled summary of responses?

Mr Gemmell—In the summary of responses we do not quite do that, because we did not go through trying to work it out. What we have done is record what is in all the aircraft types now, and therefore you can work out which ones would need it and so on and get indications about what the costs would be to do this. Again, it comes back to this: if you could fit one of these low-cost items that was appropriate and did not interfere with the system, then that is what it would cost. In other cases, though, we were talking about very significant costs. It was variable, and that was the problem we always had: the variable cost of doing it.

Senator O'BRIEN—The problem I am having with that is that, if you can envisage that something that just plugged into the power supply and gave an audible alarm would be acceptable, why would the cost necessarily be prohibitive in all those circumstances?

Mr Toller—Because, when you get to a fully certificated aircraft, it has to have the manufacturer's approval, and I do not think you would get the manufacturer's approval for that sort of an add-on system.

Senator O'BRIEN—I am sorry; can you repeat that for me?

Mr Toller—The airlines would probably not accept a system of that simplicity, if you like. They would want something that is a little more complex and more part of the aircraft system.

Senator O'BRIEN—It is a catch-22, isn't it? If it is too simple, we do not want it; if it is complex, it is too dear.

Mr Toller—At the end of the day, isn't that the airline's decision? And we may well see that it is different.

Senator O'BRIEN—I suppose that, at the end of the day, the airline makes a decision as a consequence of the regulator's decision and what the manufacturer will accept. But one presumes that a bit of logic comes into the system at some stage. The example we have been giving of safety devices for cars is a good one. As these devices are developed, they gradually become more common. The seatbelt was eventually mandated for older vehicles, although it did not start that way. Would that be an option for CASA?

Mr Toller—I think it is also true that any newly developed aircraft from now on would have an aural warning. We are talking about the effect of the older aircraft. The aircraft I am not quite sure about is the newest Dash 8. From memory, the new model Dash 8 has an aural warning, whereas the old one did not. That is the difficulty for the industry in exactly the way you described.

Senator O'BRIEN—Was a cost-benefit analysis conducted?

Mr Gemmell—The original discussion paper had a cost-benefit analysis. A lot of people made comments along the lines that it was a load of rubbish. To be honest, we agreed with that. The problem we have on the benefit side is calculating how many accidents we would prevent and how many lives we would save through this device. We are having a bit of a stab at that one. We postulated that we might prevent an accident once every 20 years with this. It was pointed out that if that were the case the US, with 20 times the traffic, would save an accident every year, but they do not.

Senator O'BRIEN—There have been three depressurisation incidents, that I am aware of, in the last five years—two were in the Air Force and one was the plane that crashed. So, with the figure of one in 20 years, we are not due for one for another 60 years.

Mr Gemmell—The US has 20 times our experience every day and they are not experiencing it at that rate. Our response to the earlier incident was that it was due to pilot training issues. We did some pilot training on what they have to do to make sure they do not have the problem, and also on the identification of hypoxia when it occurs. In that incident, the ATSB's conclusion was that the most likely cause was hypoxia and depressurisation, but they could not conclusively say that that was it. Indeed, you cannot conclude that an aural warning would have actually saved anybody in that plane. Going back to my cost-benefit analysis, with the Americans having 20 times the experience but not a lot of evidence, we finish up guessing. I could postulate that we might prevent an accident once every 400 years. So we have to say: 'We just don't know.' We cannot do the benefit side and we could not do much on the cost side because the costs are so variable.

Senator O'BRIEN—You talk about the American experience, yet there is Australian experience that would indicate that the incidence in recent years is much higher than once in every 20 years. That may be due to a number of factors that I cannot even imagine, but it is the actual experience, isn't it?

Mr Toller—That is what led us down the training route: why would Australia be so very different from somewhere else unless there is potentially a weakness here in the training of pilots? We believe that that is a significant element of the issues, which is why we believe that training is important. The aural warning is just another line of defence; there are lots of other

means of assessing pressurisation. Training pilots to recognise the onset, as well as what the warnings are and what their initial actions must be, is the best line of defence.

Senator O'BRIEN—Let us return for a moment to the disagreement—or however you would categorise it—between CASA and ATSB, as it was reflected on *PM*. I accept that CASA is not obliged to agree with ATSB and, in particular, its recommendations. Do you have a mechanism in place to deal with factual differences between the two organisations before they are aired on national radio?

Mr Gemmell—Factual differences?

Senator O'BRIEN—Yes. I have just detailed a couple of differences.

Mr Gemmell—We converse with the ATSB at all levels on a very regular basis.

Senator O'BRIEN—But didn't the two organisations sign an agreement as to how they should handle these matters?

Mr Gemmell—We have certainly got an MOU. The MOU is very clear about how we should deal with issues when an investigation is under way. This issue is not an investigation; the investigation has been closed for a long time now. This is an event that has come up subsequent to that. We certainly do try to cooperate so that we do not counter each other in public, and particularly dispute things. But you know what the press is like: they ask someone a question and they ask someone else a question, they get answers and then they present it as—in your words, Senator—a struggle. It was not a struggle and it never was a struggle, but that was what they said. There is not much we can do about it. You could present the cost of aural alarms as somewhere between \$1,000 and \$100,000 and you would both be right.

Senator O'BRIEN—They are almost the comments you would expect from people at the two poles of the argument: one presents the worst-case scenario and the other the best-case scenario. I am wondering how the agreement between the two organisations would direct both organisations to deal with that difference. The difference was known. The fact that a journalist rings up and wants to tease out a response for a story in my view does not excuse either side from approaching the story from the basis of that which is perhaps most provocative to the view of the other side.

Mr Toller—I agree. Certainly at the executive and senior management level of the organisation we understand each other's position totally. It was unfortunate that this got wound up into a story, because it is not a story in terms of relationships between Mr Gemmell, Mr Bills and Robbie Graham. The mechanism is very simple. The ATSB make a recommendation to CASA and CASA responds to the recommendation. The ATSB can either accept that response to the recommendation or reject that response to the recommendation. In this particular case, they have said that they will monitor. What they are going to do is see how successful our approach is in terms of how many people take up the recommendation to fit the audible alarms. That is not a tension at all between the two of us. In terms of looking at aviation safety matters, they are the purists and we are the pragmatists—somewhere in between there have always got to be slight differences. On this one they have said, 'Okay, we see your point of view, but we will see how successful it is.'

Senator O'BRIEN—I am not sure if those words are not fighting words.

Mr Toller—They are certainly not meant to be fighting words.

Senator O'BRIEN—You are the pragmatist, you said. The implication is that there is no degree of pragmatism in ATSB recommendations or that they are somehow not connected with the real world.

Mr Toller—That is not the implication. But they are not required, in their recommendations, to in any shape or form look at cost benefit. So they are just looking at it and saying, ‘Yes, in the theoretical world, this is undoubtedly true. In the practical world, can we make it happen?’ That is the difference between the two approaches.

Senator O’BRIEN—So ATSB responded to CASA’s letter—is that in the document that you have tabled?

Mr Gemmell—No.

Senator O’BRIEN—Can we have a copy of that letter?

Mr Gemmell—A copy of?

Senator O’BRIEN—The ATSB’s response to your letter with regard to their audible alarm system recommendation. If it is not here today, I am happy for you to supply it shortly.

Mr Gemmell—I was just looking to see whether they did in fact respond to us. They did. If you like, I will check that the ATSB is happy for us to agree with that.

Senator O’BRIEN—CASA has the final say, as I understand it, as to whether it is a matter for regulation.

Mr Toller—I am happy to quote from the letter. It says:

The bureau believes the actions CASA propose in its response represent a significant positive step towards improving future safety. The bureau will MONITOR—

in capitals, because that is the status—

the authority’s proposed safety action and the take-up rate of installation before formally assessing the recommendation for closure.

So they said, ‘Okay, it’s on hold. We’ll look and see what’s happened and make a judgment later.’ That is hardly a paragraph that reeks of tension between the two organisations. I think it reeks of organisations that are working well together.

Senator O’BRIEN—The minister had previously been involved in this issue and he wanted the issue fixed, and then it was put aside or put into the background. Has CASA received any written or verbal approach from the minister or his staff about this issue, particularly in the last six months?

Mr Gemmell—The minister, as you know, has taken an interest in this particular issue. As it developed and, indeed, as CASA started to feel that perhaps the right answer was not to mandate the aural warnings, we kept the minister informed of our thinking, both in writing and face to face, and there has been communication with him about this. As our thinking developed, we kept him informed as to what we were thinking, and then, indeed, what we were doing—that is, what we have now done. He has taken a close interest in this one. We were conscious that this perhaps was not turning out the way he might have expected a few years ago, when we set off and said, ‘We think we will do this.’

Senator O’BRIEN—He is not the only one who takes that view. Yesterday the minister tabled a copy of Wes Willoughby’s report on the National Airspace System and competition for airport related services. I understand CASA had input into the report. Can you provide an outline of CASA’s views on it?

Mr Toller—I have not seen it, so I cannot comment on it personally. I am aware of the fact that there was a minor input made by one officer to Mr Willoughby while the report was being developed, and we were asked to comment on what we believed to be a draft of the report that was sent across to us. Mr Gemmell, I think, collated those comments while I was on leave.

Mr Gemmell—In short, I have seen the report and, yes, we did provide comments to the ARG on that.

Senator O'BRIEN—Do you support the recommendations Mr Willoughby makes?

Mr Gemmell—I do not recall that we said that we either supported them or did not support them, or anything else. I am struggling to remember what we said. I certainly recall commenting on the recommendations and things like whether I thought they were well substantiated by what I could read in the report.

Senator O'BRIEN—So you commented on the recommendations and their basis?

Mr Gemmell—We provided comments on the whole report, which of course includes the recommendations.

Senator O'BRIEN—Are you able to say which recommendations you commented on favourably? There are 11.

Mr Gemmell—The comments were made to the ARG, and, sitting here tonight, I would not have a clue which ones. I do not think I even wrote the thing to say we support this one and support that. We were actually providing a commentary on the report, which we took to be a draft report, so we were not at a point of trying to say, 'We agree with this recommendation' or 'We agree with that one.'

Senator O'BRIEN—The particular recommendation on page 29 of the report says:

7. It be noted that the implementation of NAS has a potential financial benefit of over \$70.2m per annum.

What is CASA's view on that?

Mr Gemmell—We do not have any special insight into that figure because it has to do with the cost of running the airways system. We do not have any particular information on whether that is right or wrong. The only comment we could make is whether we felt that figure was well supported by the basic text of the document we received.

Senator O'BRIEN—What comment would you have on recommendation No. 5, which says:

The proposed Characteristic 41(ATC practice to be the same as in the US) be included in the implementation program.

Mr Gemmell—I have no clue at this point. Even though I read it and all that a while ago, I do not even know what that means, let alone what we may have commented on it.

Senator O'BRIEN—I thought you might help me. Airservices may have to help me if CASA cannot.

Mr Gemmell—Nothing is coming to mind as to either what that means or what we might think about it.

Senator O'BRIEN—Do you know what 'Airservices include the use of ADS-B to augment national airspace in its planning processes' means?

Mr Gemmell—Airservices is trialling ADS-B and has a plan to include it in its longer-term airspace.

Senator O'BRIEN—What is ADS-B?

Mr Toller—It is Automatic Dependence Surveillance-Broadcast. Effectively, it is a means by which aircraft transponders start talking to each so that aircraft know where each other are

and what they are doing. It can also talk via ground relay stations to the TAATS system and so allows aircraft which are outside radar coverage to be tracked very accurately.

Senator O'BRIEN—What would the cost of that be?

Mr Toller—I would rather you asked Airservices that one. The cost is not prohibitive in terms of the cost to aircraft modifications. You would have to talk to them about ground installations.

Mr Gemmell—From their advice, I believe that the cost of ground installations is significantly less than the cost of equivalent radar installations, but you would have to ask them the exact details.

Senator O'BRIEN—Recommendation No. 6 says:

High and low volumes of airspace be integrated and the airspace resectorised, to facilitate NAS.

What is your view on that recommendation?

Mr Gemmell—Again, I do not recall. I would not think we would have much of a view on that. It is a matter for Airservices to comment on how best they want to particularly sectorise the airspace. That is very much Airservices' core business.

Senator O'BRIEN—The first recommendation says:

The ARG be given executive power to drive the implementation of NAS.

Is that impinging on CASA or Airservices?

Mr Gemmell—Airservices.

Mr Toller—We do not have any role in the implementation of the National Airspace System, apart from ensuring the safety of the implementation.

Senator O'BRIEN—Who would do the training for the new regulatory—perhaps 'regulatory' is only partially the word—airspace system?

Mr Toller—The education and training is currently being done by the implementation group, but we are supporting it in terms of helping with the production of the material because we have that expertise in house in CASA.

Senator O'BRIEN—I note that Dick Smith, the former chair of CASA, is on the ARG and I am sure that you are well apprised of his views on how airspace and aviation should be run. Do you agree that the view in the Willoughby report on competition for Airservices' functions reflects very much the views that Mr Smith has held for some time?

Mr Toller—I do not think that we could even start to comment on that. I actually do not have a view on it, because I have not read the report, but even if I had I do not think I would be the right person to be asking for a comment.

Senator O'BRIEN—Have you provided comment in the report to the minister?

Mr Gemmell—We provided comment to the ARG on the Willoughby report.

Senator O'BRIEN—I see. But the minister has not received a copy of that?

Mr Gemmell—We provided a copy to the ARG. The chairman of that is Ken Mathews, Secretary of the Department of Transport and Regional Services. Whether he has provided that to the minister, I have no idea. But CASA's comments on the draft Willoughby report were provided to the ARG.

Senator O'BRIEN—Mr Yuile, can you find out whether CASA's response to the report has been provided to the minister by Mr Mathews—or by anyone else for that matter?

Mr Yuile—Yes.

Mr Dolan—I would like to clarify something. At this point, because the ARG has not fully considered the range of responses to the Willoughby report, it has not provided advice to the minister on the contents of the report.

Senator O'BRIEN—How long has the report been with the ARG? It says February 2003 on the cover; is that about when it hit the deck?

Mr Dolan—It was with the implementation group at that point. My recollection, although I would have to confirm it, is that it was available to the ARG in April.

Senator O'BRIEN—What would you expect the process would be once it reached the ARG—in terms of response and advising the minister?

Mr Dolan—The ARG is an advisory body to the minister so once the ARG had come to a view, taking account of the various comments provided, that would be reported to the minister. As I think I indicated earlier, the next meeting of the ARG is next month.

Senator O'BRIEN—At the last estimates hearings I asked some questions about Air Bush Charter, and you provided me with some material, for which I thank you. You advised that you applied the FOI rules in determining which documents could be supplied and which could not. Am I correct in saying that normally FOI responses identify material not provided and explain why that has not been provided?

Mr Ilyk—That is generally the case when there is an FOI application. There was no FOI application made in relation to the issue. What we decided in relation to the material that we thought we would release to the committee was that it would be on the basis of the sorts of material that we would normally release to a third party if an FOI application were made. There had been none made.

Senator O'BRIEN—I understand that. You advised that you had applied the FOI rules, but what you are saying now is that you actually applied some FOI rules. Is that what you are saying?

Mr Ilyk—What we were trying to say is that we released the information we would normally release, not the information that we would normally withhold. We released the information that we would normally release under an FOI but, because there was no FOI application, we were not bound by the requirements of the FOI Act.

Senator O'BRIEN—I am not going to disagree with that assumption, because it is certainly true: there was no FOI application. Whether someone makes one or not is neither here nor there: what I am asking is why didn't you advise which documents you were not supplying?

Mr Ilyk—Because there was no FOI request, Senator.

Senator O'BRIEN—Will you provide me with a list of the documents that you did not supply and the reasons you did not supply them?

Mr Ilyk—We would if there had been an FOI request.

Senator O'BRIEN—Will you do that on my request now?

Mr Ilyk—Yes, Senator. If there is an FOI request, we will do that. Or do you just want us to provide—

Senator O'BRIEN—I am asking you if you would provide such a list in response to my request rather than an FOI request.

Mr Ilyk—I am happy to do that, yes.

Senator O'BRIEN—I assume that you have already made decisions about why documents would not be released, consistent with the FOI process. There were two issues in relation to this matter. The first was the failure to provide Mr Leonard with all the information he needed to enable him to manage the consequences of the fuel contamination problem, and the second was the decision by CASA to issue Mr Leonard with an AOC for only six months, not two years. Would you agree that the commercial consequences of that decision were significant for Mr Leonard?

Mr Ilyk—No, I do not agree with that.

Senator O'BRIEN—Why not?

Mr Ilyk—There is no information and no evidence to support Mr Leonard's allegation at this stage. In fact, after the last Senate estimates, Mr Leonard spoke to me on the phone about this issue. We discussed it at some length—for about 30 or 40 minutes. At the end of the day, I got the impression that Mr Leonard's view was that, because he has made an allegation, that allegation must be true. I indicated to him that that is not necessarily the case and we would want to have some supporting evidence of that. He indicated to me that he had a lot of material that we probably had not seen and that, if we had seen it, we would probably come to a different conclusion. I then indicated to Mr Leonard that, if he had that information, I would be more than happy to receive it, have a look at it and review the matter at that stage. He said to me that he would provide me with that information.

A couple of days later, or about a week later, I spoke with Mr Leonard again, because I had not received the information. At that point, I asked him if he was going to provide the information so I could look at the matter. Mr Leonard said, 'No, I would prefer to deal with this matter through the Senate.' I said, 'That is your choice, but I would be happy to look at any information you have which may put a different perspective on this and provide me with additional information.' Mr Leonard simply refused and indicated that he wanted to pursue the matter through the Senate.

Senator O'BRIEN—In terms of the actual decision to issue Mr Leonard with an AOC for six months, are you saying that it did not have commercial consequences?

Mr Ilyk—Whether it did or did not, I do not know. I am not in a position to know whether that is a fact or not.

Senator O'BRIEN—It is his view that the fact that he received a six-month AOC would lead people to conclude that there was a safety reason for that action.

Mr Ilyk—That is what his allegation is. I have no idea whether that is factual or not. I have no idea. If he has information to that effect then I would certainly want to have a look at it. I should mention that this matter has now been referred to the Commonwealth Ombudsman for an investigation, so the Commonwealth Ombudsman will be looking at all of the issues raised by Mr Leonard. We are in a bit of a difficult situation, because we have Mr Leonard wanting to pursue this through the Senate. He has issued letters through his solicitor threatening legal action, and now the matter is currently before the Ombudsman as well. So there are all these—

Senator O'BRIEN—Put there by Mr Leonard, I take it?

Mr Ilyk—It was referred by the department.

Senator O'BRIEN—I see. I recall at the last hearing that Mr Collins told us that Mr Leonard was issued with a six-month AOC because CASA were behind in their surveillance program but discovered some minor technical deficiencies in the operations manual—but

these problems were not of a significant safety nature. Therefore, it was decided to allow Mr Leonard to continue to operate with a six-month AOC.

Mr Ilyk—As I understand the facts, from the recommendation that went up before the AOC, the six-month issue was based on the fact that there had been no surveillance done of the operator. Therefore, on that basis, they issued an interim six-month AOC, pending that surveillance being undertaken. It was undertaken in June and, at the completion of the six months, the AOC was issued for its full term, to the end of May 2003.

Senator O'BRIEN—In answer to a question on notice, I have been advised that a review of media releases and your web site did not reveal any information issued by CASA detailing the fast-tracking of AOC for operators affected by the fuel contamination problem. I take it that that would lead you to the view that that information was not available or accessible to Mr Leonard when it should have been.

Mr Ilyk—I understand that instrument 48/2000 was not included on the CASA web site and those miscellaneous type instruments were not being placed on the web site until some time after that period. But, from the material I have seen, Mr Leonard appeared to be aware that there were some special rules in relation to aircraft contaminated by the fuel crisis: he mentioned that in his conversation with the inspectors who visited him in February. At the end of that visit CASA in fact sent Mr Leonard that particular instrument—on about 13 March. So from 13 March Mr Leonard was very aware of those rules, and those rules indicated that if you applied before mid-May—about 12 or 13 May—then you would be given essentially an exemption from the need to submit a compliance statement. It was not an exemption from the requirements for CASA to comply with section 28 of the act; it was just an exemption from the need to submit a compliance statement. So for several months Mr Leonard was aware of that but did nothing about it, and he put in his application right at the end of May.

Senator O'BRIEN—You have confirmed that instrument 48/2000 was not made available on the CASA web site.

Mr Ilyk—As far as our searches can tell. My searches have indicated that that was not put on the CASA web site.

Senator O'BRIEN—Do you put that down to an oversight? Assuming it did not appear, is there some reason—have you investigated it?

Mr Ilyk—I am not sure what the reason was, but at that time not all instruments were being put on the CASA web site. Miscellaneous instruments, regulations and orders were being put on the CASA web site, but not every CASA instrument was being put on. That happened subsequently. The area officers should generally have been aware of those, and Mr Leonard was told at the time to set up a pre-application meeting in relation to his issue, and he did not do that. He was also, as I have mentioned, provided with a copy of that instrument about two weeks after that meeting in Kununurra.

Senator O'BRIEN—In answer to the question headed CASA 05, we were told that Mr Leonard's AOC was due for renewal in May 2000, and you advised that CASA considered that the operator liaison visit conducted by Mr Riceman and other CASA officers referred to in answer to question 04 was not sufficient to enable CASA to reissue the AOC.

Mr Ilyk—Indeed, Senator. The visit by Mr Riceman in February was purely an informal visit. Mr Riceman advised Mr Leonard on 1 February by fax, saying: 'We will be up in Kununurra. If time permits, we may drop in to see you. It is not a formal surveillance; it is just to see how you are going—to see if things are okay.' It certainly was not any kind of formal AOC review or any surveillance. It was purely an informal visit.

Senator O'BRIEN—What would have needed to happen on that visit to enable CASA to reissue the AOC?

Mr Ilyk—That visit was not for the purpose of issuing an AOC.

Senator O'BRIEN—I understand that. You have said that. I am asking what would have needed to happen—

Mr Ilyk—I do not know what the delegate's view would have been and what he would have wanted to do. I have no idea.

Senator O'BRIEN—When the AOC application was made, where was it directed in the first instance and who would have dealt with it?

Mr Ilyk—During the visit in February, Mr Riceman advised Mr Leonard to make an appointment for a preapplication meeting with the Darwin office. It was being dealt with at the Darwin office.

Senator O'BRIEN—Is that effectively the district office?

Mr Ilyk—As far as I am aware, that was the one that would have been responsible for the matter.

Senator O'BRIEN—Would they make recommendations to head office?

Mr Ilyk—Someone would have been making recommendations to the appropriate delegate in charge of issuing AOCs. In this case, in fact, I think—although I do not have all the facts in front of me—that the standard form recommendation actually came from the Adelaide office rather than the Darwin office. It may have subsequently been transferred to the Darwin office, but the May standard form recommendation, as I recall, went from the Adelaide office.

Senator O'BRIEN—Is there anything unusual about that? He was in Kununurra and you have got a Darwin office.

Mr Ilyk—I am not aware of there being anything unusual about that. I am not in a field office so I am not sure what the—

Mr Toller—The central area office used to have responsibility for that area. I have no idea why it would go from Adelaide rather than Darwin in the current circumstances, but we will take that on notice and give you a response.

Senator O'BRIEN—Are you saying that the recommendation that the AOC should be not be issued for a period of two years came from the Adelaide office?

Mr Ilyk—Yes, as far as I recall. It was based on the fact that there had been no surveillance of that operator undertaken.

Senator O'BRIEN—By the Darwin office?

Mr Ilyk—By anyone.

Senator O'BRIEN—Who else would conduct surveillance?

Mr Ilyk—I am saying that there had been no surveillance undertaken by CASA.

Senator O'BRIEN—Is that a recommendation that was made in writing?

Mr Ilyk—Yes. I think it is in the papers that have been provided.

Senator O'BRIEN—Thank you for that. The matter that strikes me as unusual—it may not be in your view—is that there was a visit to Mr Leonard's operation at the end of January 2000. CASA sent him an AOC renewal notice on 13 March, which was about six weeks later, but the January visit was not adequate—perhaps for the reason you outlined—to equip CASA with the information needed to process the AOC application. Why would you undertake a

visit a matter of weeks before a renewal notice was issued and not check whether that issue was a matter that it was appropriate to deal with at that time, given that we are talking about going to Kununurra from Darwin?

Mr Ilyk—The people who went to Kununurra went there for other business. As I said, the formal note was sent to Mr Leonard on 1 February. It says:

Dear Mr Leonard,

As discussed last Friday afternoon, ... will be in your area on the 29 Feb – 1 March 00, and time permitting, may drop in to meet you and have a quick look at your operation.

Whilst this is not a formal CASA surveillance, they would like to overview your operation with a brief look at the systems that you are required to have in place.

It was not a formal thing, and it was only if time permitted. It was purely an informal visit.

Senator O'BRIEN—Were Mr Riceman and the other officer present competent to assess whether there were problems with the issue of an AOC?

Mr Ilyk—I cannot say.

Senator O'BRIEN—Can you advise me of that on notice?

Mr Ilyk—We can take that on notice.

Senator O'BRIEN—Perhaps you can tell us of the qualifications and experience of the two officers who visited the premises.

Mr Ilyk—I will take that on notice, too.

Senator O'BRIEN—Is the fact that there were no further visits until 25 May, which was for an airworthiness inspection—and then another month later one for an ASSP176 periodic inspection—attributable to anything other than the timing of the application process?

Mr Ilyk—I cannot say. I know that Mr Leonard was advised in March that he should be putting in his application. He did not put in his application until towards the end of May, leaving about 10 days before his AOC expired. And that was one of the problems—the fact that the application was put in very late. Normally, CASA requires 90 days. In this case, we had 10 days.

Senator O'BRIEN—Am I correct in saying that CASA has a policy that requires a number of inspections prior to the renewal of an AOC?

Mr Ilyk—I cannot say with any accuracy. I can take that on notice.

Senator O'BRIEN—If it is a recent policy, can you tell us when it came into force?

Mr Ilyk—Yes, I will take that on notice.

Senator O'BRIEN—Can you also tell us what inspections are required?

Mr Ilyk—I will take that on notice, too.

Senator O'BRIEN—Presumably the issue of the continuation of a business is important in terms of CASA's performance of its function. How do you ensure that the AOC renewal process, as far as it is within the control of CASA, does not impede the continuing running of a business?

Mr Ilyk—I think there have been significant improvements made to the whole process, with the establishment of the regulatory service division and the service centre.

Mr Gemmell—In more recent times, postdating anything to do with this particular case, we have had a program of trying to ensure that our surveillance inspections occur in an

appropriate period before an AOC might expire so that a delegate has information on which to take the decision about the renewal of the AOC. Also we have policies that deal with what happens if we have some show cause action outstanding, for example, at the time an AOC is due for renewal.

Senator O'BRIEN—Can I categorise that process as one to avoid what happened to Mr Leonard?

Mr Gemmell—It is a categorisation but—

Senator O'BRIEN—Not precisely, but generally speaking.

Mr Gemmell—it is designed to ensure that, for example, an AOC does not expire before we get out there to have an inspection. It is designed to line up the cycles so that we have the information available to us for the delegate to take the decision before it expires.

Senator O'BRIEN—What exactly was referred to the Ombudsman?

Mr Ilyk—The whole of Mr Leonard's complaint is about not providing the information about the delay in the issue of the AOC and any other matters that are relevant to Mr Leonard's complaint.

Senator O'BRIEN—Has Mr Leonard commenced any legal action?

Mr Ilyk—We have letters from his solicitor and we have records on file from Mr Leonard saying, 'CASA has returned my payment for their issue of the AOC. I am not cashing that cheque because my lawyers advised me not to in the event that I commence legal proceedings.' So yes, we have had intimated to us that proceedings will be commenced.

Senator O'BRIEN—If what you said is right, it is under consideration rather than being commenced.

Mr Ilyk—Yes. They are threatening legal proceedings.

Senator O'BRIEN—Can you tell me what the authority's budget is for 2003-04.

Ms Bickford—CASA's budget under the portfolio budget statements is \$111,715,000.

Senator O'BRIEN—Where would I find that information relevant to the period back to the establishment of CASA? Is there a document to sight?

Ms Bickford—There are a number of places. It would obviously be in previous portfolio budget statements. It would also be in our annual reports for each of the years of what our actual revenue and expenditure was for each year, rather than the budget per se.

Senator O'BRIEN—Would it be difficult for you to put together a summary of what funds have been available to CASA in each year since it was established?

Ms Bickford—No. I can do that for you.

Senator O'BRIEN—Thank you. The major item for CASA in the budget seems to be the increase in excise to cover your revenue reduction as a result of the decline in industry activity. Do I understand that correctly?

Ms Bickford—That is the only change to CASA's budget. In fact, it was to restore CASA's budget to the anticipated level, so it is not actually additional funding to CASA.

Senator O'BRIEN—I think I said it was an increase in excise to cover your revenue reduction.

Ms Bickford—An increase in the excise rate.

Senator O'BRIEN—The government announced in the budget papers that a review of your funding will be conducted in the 2003-04 financial year. Was CASA aware of this intention to review funding prior to the budget announcement?

Ms Bickford—Yes.

Senator O'BRIEN—How could the current funding model for CASA be improved?

Ms Bickford—The issue that has brought this into focus is the volatility of the fuel excise volumes and the fact that it has been difficult for us to forecast future volumes and therefore revenue, so it is really an opportunity to look more broadly at CASA's revenue sources and what potential there could be in relation to that revenue.

Senator O'BRIEN—What sorts of revenue sources should be looked at?

Ms Bickford—That is a matter for government policy. In terms of the review, I do not know whether the department would like to comment.

Senator O'BRIEN—I am asking for options, not preferences, if you understand my question. What is the range of options that would be available?

Ms Bickford—They are endless in a sense. Our revenue comes from three sources: straight government appropriation; aviation fuel excise, both avtur and avgas; and regulatory services fees for services that CASA performs to industry. There is opportunity for those regulatory fees to be both reviewed and extended. There are responsibilities for CASA in relation to that in response to the Productivity Commission review last year that looked at cost recovery for regulatory agencies. I guess there are any number of forms of other revenue sources that could be looked at for CASA.

CHAIR—We will adjourn until a quarter to three.

Mr Yuile—Chair, before we close can I just mention that there were a number of questions that were asked yesterday afternoon and evening in relation to Roads to Recovery and the review by the Australian Local Government Association. Those questions went to the billing and breakdown of the consultancy, to issues around distribution of the Roads to Recovery money between metropolitan and rural and regional councils, as well as to payments and the wind-up of the program. I have some detailed answers to those I would like to table.

CHAIR—Thank you.

Proceedings suspended from 1.02 p.m. to 2.46 p.m.

CHAIR—We will resume where we left off.

Mr Toller—Before we start, we discussed this morning correspondence between CASA and the ATSB regarding the recommendation on all the warnings. We have checked with the ATSB. They are quite happy for us to table the full letter of their response to us, and I table it in fact with our letter to them.

Senator O'BRIEN—I have some questions on the IT provider contract. What is the status of the contract process for a new IT provider?

Mr Comer—We have now concluded that.

Senator O'BRIEN—So it is closed. You expected the tender to be on time and fractionally under budget. Did that happen?

Mr Comer—We were able to negotiate prices which came in under our budget. The whole time process was according to schedule.

Senator O'BRIEN—Who was the successful tenderer?

Mr Comer—There were four contracts. The main one which contains the application architecture is Siebel—not as in furniture but as in computers. It is the main product. The other products are ancillary products. The Siebel product, which is a CRM product, contains the application architecture out of which we will build our systems with the use of the ancillary products.

Senator O'BRIEN—Can you tell us the value of each component? Perhaps you can take that on notice and provide us with the document.

Mr Comer—The aggregate value of the contracts is around \$2½ million, but we can give you the break-up of those.

Senator O'BRIEN—I would appreciate it if you could do that. I do not have any more IT questions. Can CASA provide an update on the DVT proceedings against CASA?

Mr Ilyk—At the moment there is an appeal against the decision of a single judge in the Victorian court who decided not to accept the strike-out application by Qantas and BA. That appeal is being heard on 28 and 29 July. That is the extent of the proceedings so far; nothing else has happened on that.

Senator O'BRIEN—Only one case. As at February 2003, 380 writs had been issued against CASA. Have any more been received?

Mr Ilyk—I think now a total of about 456 writs have been issued.

Senator O'BRIEN—Is it accurate to say that they are waiting on the Povey case as a test case?

Mr Ilyk—Indeed. Povey is the test case so, until that case is decided, the others are basically held in abeyance.

Senator O'BRIEN—Is CASA a party to the proceedings of the Qantas and British Airways appeal?

Mr Ilyk—No.

Senator O'BRIEN—You are not intervening?

Mr Ilyk—No. That is purely a strike-out application by Qantas and BA.

Senator O'BRIEN—I take it that at this stage it is going forward; it is not being struck out—subject to the appeal.

Mr Ilyk—Yes.

Senator O'BRIEN—Can we have an update on the statistics on the number of show cause, suspension, and cancellation notices issued, which we last had provided with information to December 2002?

Mr Ilyk—The figures for which particular year?

Senator O'BRIEN—I want whatever figures are available updating the information given to us to December 2002.

Mr Ilyk—I have the figures written down. I am quite happy to provide them.

Mr Toller—The only further figures we have at this moment are obviously for the first quarter of this year. In that quarter there were, according to my figures—which I actually am surprised at—no show causes, no suspensions and three cancellations.

Mr Ilyk—But quite often those cancellations are at the request of the certificate holder. That probably explains the three cancellations.

Mr Toller—I would like to take that one on notice because, although these are the numbers in my briefing notes, intuitively they do not seem quite right. They seem too low. We will get back to you on that.

Senator O'BRIEN—Can you give us the basic reasons for any suspensions or cancellations?

Mr Toller—Yes.

Senator O'BRIEN—With regard to the Rex AOC, has CASA received an application from Rex for a single AOC for Rex?

Mr Williams—We are in a process. They have indicated that they are going to. They started the process in August 2002 and they expected it to take 12 months. We would expect it to be complete in early spring 2003. The reissue of the existing AOC—

Senator O'BRIEN—There is going to be a reissue of the existing AOC?

Mr Williams—No. It will be a new AOC for Rex.

Senator O'BRIEN—So they are still operating on the AOCs of the former two airlines?

Mr Williams—That is correct.

Senator O'BRIEN—Is there a limit to how long Rex can continue to operate on the two separate AOCs from the former airlines?

Mr Toller—No.

Mr Williams—No, I do not think so. The combination is a trading name. They are still operating under the two separate AOCs, though.

Senator O'BRIEN—I presume, from what you are saying, that they can proceed down the path of seeking a new air operators certificate for some time. When do the AOCs for the former airlines expire?

Mr Toller—They were both issued on 1 August 2002, so that would lead us to assume they will expire on 31 July 2005.

Senator O'BRIEN—Are those AOCs able to be renewed in the names of the old organisations?

Mr Toller—Indeed, they are. As far as we are concerned, Rex at the moment is just a marketing cover for two separate airlines that are still operating as separate entities. We are working with Rex towards making them one entity and one organisation, but if they wished to stay separate they most certainly could.

Mr Gemmell—It is probably worth adding that that is not unusual. To us, Qantas is a few separate AOCs that are all operating under the Qantas logo and bailiwick.

Senator O'BRIEN—What proportion of CASA's airworthiness and flying operations inspectors are recruited from the industry?

Mr Toller—One hundred per cent of them. There was an existing policy, which has been there now for about four years, that we required valid industry experience.

Senator O'BRIEN—Presumably, a number of them would have run their own businesses in the industry?

Mr Toller—Yes; they would have been a part of the industry in some way.

Senator O'BRIEN—I take your point that this sort of experience would be valuable in the regulatory role and to an understanding of the issues facing operators. The potential downside of this is the situation where an inspector may have had a poor reputation—or at least not a

good one—technically or in a business management sense. What pre-employment checks does CASA make when it is considering employing an inspector?

Ms Bickford—A number of those inspector positions have mandatory qualifications, so at the interview stage we would check for those. Referee reports are part of the normal process of interviewing and selecting employees. Once we get to the pre-engagement stage we do police record checks as well as residency and birth certificate checks. Once employed, all staff are required to do conflict of interest declarations.

Senator O'BRIEN—In the past five years, has CASA employed any inspectors who have been bankrupted operating businesses in industry—or is that not something you would check on?

Ms Bickford—I am not aware of that.

Senator O'BRIEN—Do you inquire into the financial status of businesses that potential employees had operated in the industry?

Ms Bickford—Not as a matter of course—not that I am aware of.

Senator O'BRIEN—So that would not be part of your pre-employment check process?

Ms Bickford—If it were undertaken it would be, yes.

Senator O'BRIEN—But it is not undertaken now?

Ms Bickford—No.

Senator O'BRIEN—Is it a concern that an inspector may be in charge of regulating a company or companies that they may have had financial dealings with in their previous business or that they may owe or have owed money to or have been involved in a commercial dispute with?

Ms Bickford—As I said, we do ask all staff to complete conflict of interest declarations upon engagement, and that includes former and current relationships within the industry. So if that were the case it should have been declared on a declaration. It is then up to the manager of that staff member to assess that conflict and determine what is or is not appropriate in relation to the regulatory duties they undertake.

Senator O'BRIEN—Is CASA aware of any current or potential conflict of interest in this regard between inspectors of any sort and clients?

Mr Ilyk—Yes, there is an investigation currently under way in relation to a number of allegations made by an individual against an existing CASA officer. That investigation is currently coming to a close.

Senator O'BRIEN—I have been informed that this issue was the subject of a discussion at the CASA board on 30 January. Is that correct?

Mr Ilyk—Not that I am aware of.

Mr Toller—There was not a CASA board meeting on 30 January.

Mr Ilyk—There was no board meeting in January.

Senator O'BRIEN—Would there have been a board subcommittee?

Mr Toller—No, we do not hold any meetings in January.

Senator O'BRIEN—Is a case being investigated about an inspector responsible for a company with which they had had a financial relationship in the past?

Mr Ilyk—If it is the one that Mr Freeland has referred to then that is probably the one.

Senator O'BRIEN—Mr Toller, you have been quoted as saying to an industry group on 14 February:

We are aware of a commercial dispute between one of our inspectors and a member of the local industry which predates his employment with CASA. Commercial disputes are a part of life and in no way should be considered a reflection of integrity.

Isn't the issue you refer to a matter of conflict of interest rather than integrity, or perhaps as well?

Mr Toller—I do not actually have anything in my diary which says that I said anything to anybody on 14 February, but I have a recollection of a case where there is a genuine commercial dispute between one of our inspectors, who was in the industry a long time ago, and a maintenance organisation. As far as we are concerned, that is purely a commercial dispute.

Senator O'BRIEN—The reference for my quote is a letter you wrote to members of the aviation community. You say:

The Board was disturbed to hear an allegation of misconduct against an unnamed CASA staff member at the meeting.

When was that matter considered by the board?

Mr Toller—From recollection, this was an open forum held at Bankstown, and these were just allegations that were made verbally at that meeting.

Senator O'BRIEN—Your letter says:

A number of people at the Bankstown meeting claimed CASA officers were biased against individuals or unfairly administering the aviation safety regulations.

Is that a proper reflection of what took place at that meeting?

Mr Toller—I believe so. A number of allegations were made at that meeting. The chairman of the CASA board made a strong point at that meeting that he would follow up any allegations that were supported by facts and put in writing to us. My recollection is that there were a couple of letters that came in as a result of that meeting. But I would have to take that one on notice in terms of the details.

Senator O'BRIEN—Where there is an allegation of unfair treatment and a concern is expressed about previous disputed dealings, where does this statement of conflict of interest come in? Would you have expected that officer to have advised of that at the commencement of his employment? Or would it have been as soon as the officer became aware that they would be involved with a party with whom they had had a commercial dispute and, therefore, might be perceived to have a conflict of interest in how they handled that party?

Mr Toller—I think the latter is the more likely. Again, I do not have the facts of this particular case in front of me. I would like to go back and check whether this particular person was actually having any dealings with this organisation or whether it was just a straight commercial dispute between somebody in industry and somebody who happened to be an inspector in the organisation.

Senator O'BRIEN—The letter says that you were:

... disturbed to hear an allegation of misconduct against an unknown CASA staff member at the meeting.

Mr Toller—That is the allegation that was made.

Senator O'BRIEN—What sort of misconduct?

Mr Toller—I cannot recall exactly the details of the allegation at this stage. As I say, it was a fairly long and fiery meeting.

Senator O'BRIEN—Fiery?

Mr Toller—Industry in Bankstown can be. There were people out there who were taking the opportunity to raise their concerns with the board. That is why we were there.

Senator O'BRIEN—I am interested in your use of the term 'misconduct'. Was the allegation that someone was misusing their position to the detriment of a member of the industry?

Mr Toller—I will take it on notice to give you details as to what the allegation was.

Senator O'BRIEN—Mr Ilyk, this letter from Mr Toller says:

The Chairman has written to the complainant asking either for detail to support the grave allegation or for a retraction.

Are you aware of whether the complainant referred to in Mr Toller's letter has supplied detail to support the allegation?

Mr Ilyk—I am not aware of that.

Senator O'BRIEN—You are dealing with one matter, but you do not know if it is the same matter?

Mr Ilyk—The one I was referring to is, I think, a different matter.

Senator O'BRIEN—Perhaps, Mr Toller, you can let us know whether that matter has been pursued by the complainant.

Mr Toller—I will make investigations.

Senator O'BRIEN—The chairman has written to the gentleman concerned. He wrote:

At the recent CASA Board Forum in Bankstown I believe you made public allegations against a CASA inspector.

Those allegations were that money was owed to a member of industry for whom the inspector held responsibility for compliance.

The allegations you made are serious and I, and my other Board members, treat them as such.

While I can find evidence of a commercial dispute between you and an airworthiness inspector at Bankstown, this predates his employment in CASA, and in my view that dispute has no relevant or significant bearing on his position as an inspector for the Authority. Commercial disputes involve all members of the Australian community and I do not believe that this fact alone disqualified a person from being employed by CASA.

Surely that discloses a potential conflict of interest?

Mr Toller—Yes, potentially, but I think there are two points there. The first thing is that I need to ascertain whether that particular inspector did, in fact, have any dealings with the company with whom he had had the commercial dispute. The second thing is that a commercial dispute is a commercial dispute. I think the argument was about the quality of work done and a refusal to pay a full bill. These things happen every day.

Senator O'BRIEN—But surely you could substitute one inspector—that is the point.

Mr Toller—I believe that, if there had been that dispute with that particular company, that inspector should not have had any dealing with that company. I think that would be right and proper, and that is what I want to check.

Senator O'BRIEN—I must say I find the chairman's comments quite extraordinary, because he ignores what is the fundamental problem with the sort of situation that was raised with him—that is, the potential for conflict of interest. How can the chairman, you or other superiors know what is in his mind when he is making decisions or recommendations in relation to a client of CASA?

Mr Toller—Yes. But I do want to check that it is the case that this inspector was dealing with the organisation with which he had had the dispute. If he was not then that is not a conflict, in my view.

Senator O'BRIEN—I accept that that may be a valid explanation for that position.

Mr Toller—That is my recollection of the circumstances.

Senator O'BRIEN—But I suggest that, if there is direct contact in a regulatory role interchange, that would be inappropriate.

Mr Toller—I think you are right.

Senator O'BRIEN—Again with regard to the National Air Space System, does CASA have the ultimate responsibility to sign off any new airspace model before it is implemented?

Mr Toller—CASA's role is to set the basic standards and to ensure that those standards are applied and are applied safely. The design of an airspace system rests with Airservices. Our role in changes to an airspace system is fundamentally to ensure that the changes are in accordance with the standards. We also have a role to make comment on the safety case.

Senator O'BRIEN—Are you aware of the report by Captain Robin Beville-Anderson entitled *A study of air space and procedures in the US NAS*?

Mr Toller—I am aware of it.

Senator O'BRIEN—Have you seen it?

Mr Toller—I have read it, but it was some time ago—a couple of months ago.

Senator O'BRIEN—Has CASA provided any written response to the report, advising the minister or writing directly to Captain Beville-Anderson or to the Federation of Air Pilots?

Mr Toller—No, I do not believe we have.

Senator O'BRIEN—It seems to me that the report identified serious reservations about what I tend to call the 'Dick Smith model'. I want to know whether CASA had any cause for concern in the context of the comments made by Captain Robin Beville-Anderson.

Mr Toller—Captain Beville-Anderson went across as a member of a fairly large party. I believe that there were representatives from CASA, Airservices and from the National Air Space System implementation group, and there was a separate visitation by Defence personnel. A report of that visit was made by the CASA and the Airservices representatives on the board. It would have to be said that there are some differences of opinion, therefore, between the technical experts on that panel and Captain Beville-Anderson's views.

Our position is that that was a fact-finding mission about what happens in practice in the United States. In some cases, it would appear that the initial findings are that things do not necessarily happen in the United States in practice in the way that they would appear to on paper. Also, it would appear that there is not total consistency across the United States. In other words, the FAA is not consistent in the way that it applies its own system. As I

understand it, these issues are currently being resolved through Mike Smith and the implementation group.

Senator O'BRIEN—As I understand it, that is exactly what Captain Beville-Anderson said about the Australian system being somewhat pedantic about terminology, for example, whereas the system under the FAA was much more indefinite—I think that was something like his terminology.

Mr Toller—There are certainly areas where they use terminology in a more lax way than we do. I think that is absolutely right. One of the things we have been careful to do with all the material that has come through so far on the early stages of the NAS is to ensure that we retain the Australian terminology. So where there are ambiguities in the US system's terminology we do not perpetuate those ambiguities. In other words, we add to the safety value that already exists within the American model.

Senator O'BRIEN—Did CASA have any officers on that trip with Captain Beville-Anderson?

Mr Toller—We did.

Senator O'BRIEN—Did they concur with all or any of his findings?

Mr Toller—Captain Beville-Anderson wrote his own report to his association, which is right and proper. CASA and Airservices, with the assistance of the implementation group personnel, compiled an official report, and that was signed off by the CASA and Airservices personnel as being their view of the US model. It is a very comprehensive report.

Senator O'BRIEN—In light of the perhaps better understanding of the US system, do you think we need to be more cautious in pursuing a safety case for the AUSNAS system? For example, do you think that a case is being made that there should be a full design safety case for that system?

Mr Toller—We are effectively taking this one step at a time. I do not believe there was any requirement for a design safety case for the elements that have been introduced so far. I think it should be said, though, that when I say that CASA does not wish to see a design safety case, my understanding from Airservices—and you could check with them—is that a design safety case is done on every occasion anyway by Airservices, who have to implement the change. So they actually combine a design safety case and an implementation safety case. We are taking a particularly close look at the moment at any risks that come out of the implementation process—that is what an implementation safety case is all about. If there are significant design differences in any of the future models proposed, then Mike Smith is certainly very much aware of my view that that would require a design safety case to be shown to CASA.

Senator O'BRIEN—Thank you. I want to ask about an organisation whose name I cannot properly pronounce—Air Ngukurr. Air Ngukurr has applied for an RPT AOC to operate into communities such as Maningrida. When was that received?

Mr Toller—My advice is that they have not applied for an RPT AOC

Senator O'BRIEN—They haven't? Have they applied for some other form of AOC?

Mr Williams—They hold a charter AOC now. Based on some information, particularly an advertisement that indicated they were contemplating operating in accordance with RPT standards, our office up there cautioned that the flights they were proposing in that advertisement may be in breach of legislation, based on the charter AOC which they hold.

Senator O'BRIEN—But they have not actually applied for a variation to their existing AOC or for a new AOC?

Mr Williams—Not to my knowledge.

Senator O'BRIEN—Could you check that for me? It is contrary to my advice, but my advice could be wrong.

Mr Toller—I can make it a bit easier. They appear to be subchartering an aircraft which belongs to a New Zealand company called Vincent Aviation. Vincent Aviation formerly held an international operator's AOC—operating, I believe, between Darwin and Dili. They want to get together, it would appear, with Air Ngukurr. My understanding is that Vincent Aviation have applied for an RPT AOC, but it has not yet been granted. That is where the slight confusion probably comes from.

Senator O'BRIEN—Is that to operate to communities such as Maningrida?

Mr Toller—All I can go on is the fact that we have a copy of the advertisement that Air Ngukurr have put out showing their flight service to Maningrida and Milingimbi starting on 16 May 2003—which of course it did not—with their schedules and everything. There is a very pretty picture of a New Zealand registered aircraft which has 'Vincent Aviation' on it. So we believe that that is the connection between the two.

Senator O'BRIEN—I guess, if Vincent Aviation holds an AOC, it would be a bit like Rex with the two AOCs it is operating under at the moment, wouldn't it?

Mr Toller—No. If Vincent Aviation get an RPT AOC, they can operate that service, albeit under the name of Air Ngukurr or anything else.

Senator O'BRIEN—When was the Vincent Aviation application lodged?

Mr Toller—I will take that on notice. The answer is not immediately available.

Senator O'BRIEN—Perhaps you can give us some other information. I will give you a series of questions you can take on notice.

Mr Toller—Certainly.

Senator O'BRIEN—There was an incident near the Whitsunday Islands last year when a seaplane struck a yacht owned by Janice and Tom Ginder. The family had a number of concerns about the response from respective aviation and maritime accident and emergency organisations. Was this incident reported to CASA?

Mr Gemmell—Our records show that the ATSB, Perth, contacted CASA's out of hours number on 19 October 2002—on the day of the accident, which was in the evening—and provided advice on an accident. It actually said that an aircraft had collided with another aircraft at Hamilton Island—that is what we were told at the time—and that there were no injuries and so forth. Our records show that on the next day a person spoke to CASA, and CASA referred that person on to the ATSB.

Senator O'BRIEN—Was that the owner or the pilot of the plane?

Mr Gemmell—I think it was the son of the owner, as best I can tell. There is a bit of confusion not as to the last name but as to the first name of the person who rang up. At best, I think it sounds like the son of the owner of the yacht.

Senator O'BRIEN—Did that person pass on information about the incident or were they simply referred to the ATSB?

Mr Gemmell—They were referred to the ATSB, as per normal routine. No doubt they passed on information about the incident to the ATSB.

Senator O'BRIEN—I take it CASA had no role in releasing information about the incident?

Mr Gemmell—I am not aware of the specifics of this one. If we had knowledge of an accident somewhere and were asked by the press, we could confirm it. I was not aware that we did in this case.

Senator O'BRIEN—Can you find out and let us know?

Mr Gemmell—Sure.

Senator O'BRIEN—I understand this was a seaplane landing in an area which was an anchorage for boats. Are seaplane landings regulated by CASA in any way?

Mr Toller—Yes, until they touch the water, when they become boats.

Senator O'BRIEN—Is that right?

Mr Toller—That is right. They then become subject to maritime law.

Senator O'BRIEN—What happens if, in this case, it is found that the pilot of the seaplane landed it in an area where its landing caused a hazard? Obviously, once they hit the water, they have limited opportunity to take off again. The decision to make a landing is made in the air.

Mr Toller—If the cause comes right back to the approach and landing in an incorrect place, we would obviously take an interest. My understanding of this particular incident is that it was not that it was an inappropriate area in which to land. From recollection, the pilot had operated into that landing area a few times earlier in the day and noted on this occasion that more boats had arrived and moored. However, he still landed an acceptable distance away from the boats. We are still awaiting the ATSB investigation and report, but the pilot himself reported to us that—to say it nicely—he made a mess of the landing. It would appear that he landed long and fast—which, in a seaplane, gives you massive instability—and did a totally uncontrollable turn to the left thereafter.

Senator O'BRIEN—I am told that the *Daily Mercury*—a paper which I have never read—reported CASA PR officer Peter Gibson as saying that the Beaver seaplane was owned by Heli Australia, the parent company of Hamilton Island Aviation and operator of the Piper Cherokee that crashed one month before the seaplane incident, killing six people. At that time, Mr Gibson said that CASA would seek a full report from the company on the incident involving the seaplane and determine if more action was required. Firstly, do you know whether the pilot of that seaplane was qualified to fly commercial flights on that aircraft? Has that been checked?

Mr Williams—We have received the draft ATSB report on that and we are in the process of looking at the results now. Any investigation we do into something like this is at the invitation of the ATSB. We were not invited to go and investigate, so we will look at their report afterwards and determine what action, if any, we need to take, based on that.

Mr Toller—On top of that, we also did some investigations of our own at the time and took some actions both against the pilot and in terms of changing certain procedures within the company. The report that was made to CASA and the investigation done by the CASA inspectors are different from an accident investigation. We were looking to see if there was evidence of regulatory breach, and there was not.

Senator O'BRIEN—There was evidence of recklessness, was there?

Mr Toller—I think it was just a stuff-up—a bad landing. These things happen to all of us. All pilots have done them, but this one was particularly spectacular.

Senator O'BRIEN—If CASA were aware that the pilot was flying commercial flights, his qualification to do so would be very relevant, wouldn't it?

Mr Toller—As far as I can see from the information I have the pilot was not a highly experienced float plane operator, but he was fully qualified.

Senator O'BRIEN—There would be a log or record of all communications with the Ginder family on this matter, wouldn't there? They are the people who own the yacht.

Mr Toller—In terms of telephone records, or of written communication? We have certainly had written communication. I am not aware of any telephone calls from the family after the initial weekend, but I can check.

Senator O'BRIEN—Thank you for that. That is all I have for CASA—there maybe more next time.

Mr Yuile—During the changeover with Airservices Australia last night, Senator O'Brien asked a series of questions in relation to the noise levy and insulation in Sydney and Adelaide. He also asked about other inquiries on insulation and for some clarification around the ticket levy collections. I have a series of answers here which I would like to table.

ACTING CHAIR—Thank you very much, Mr Yuile. I thank the officers from CASA.

[3.32 p.m.]

Airservices Australia

ACTING CHAIR—The next program is Airservices Australia. I welcome Mr Bernie Smith and Mr Tom Grant to the table.

Senator O'BRIEN—What is the current involvement of Airservices in the development of the national airspace system?

Mr B. Smith—I guess we are the implementers of the airspace changes. The way the process works is that the Aviation Reform Group, which is a high level group, determines what is to be done. The Aviation Implementation Group, which supports them—outside of their services but with an Airservices representative working with them—is the group responsible for determining the model and the elements of it. We then take that through our project management process and safety management process and implement what comes out of that.

Senator O'BRIEN—Does Airservices need to be satisfied with the final version of the model?

Mr B. Smith—Yes.

Senator O'BRIEN—Are you pleased with how it is progressing?

Mr B. Smith—I think the first two stages have been implemented in a fairly sound and sensible manner. I guess that, with all of these things, one wishes they would be knocked over a bit sooner. It is a process that is going to get us there, and it is just a matter of time and resources. 'Pleased' is a very subjective term. It is not something I am pleased or displeased about; it is just something we have to get done.

Senator O'BRIEN—I understand your chairman offered his resignation from the ARG. Do you know why he did that?

Mr B. Smith—I have no knowledge of what the chairman has done. The chairman is acting as an individual in that respect. He is not acting on behalf of Airservices Australia.

Senator O'BRIEN—So you were not aware of him offering his resignation?

Mr B. Smith—I had heard that. Any information I could give you in that respect, though, would be anecdotal. I cannot enlighten you any further.

Senator O'BRIEN—It must follow that the resignation was rejected, because he is still there, isn't he?

Mr B. Smith—I do not know whether it has been rejected or not.

Senator O'BRIEN—I am sure you are aware of the report by Captain Robin Beville-Anderson entitled *A study of airspace and procedures in the US NAS*. Has Airservices provided any written response to that report?

Mr B. Smith—No.

Senator O'BRIEN—Has that report caused any concern or alarm for Airservices as the service provider and operator of the proposed system?

Mr B. Smith—No. I would comment that Captain Beville-Anderson went on the trip with a number of other people, as I am sure you are aware. He set about writing a report for his organisation, and I understand he drew a number of conclusions in that report. Our folks also wrote a report, in which we did not draw any conclusions but rather stated the facts, as we found them, as a method of supporting the work we were doing. The comments of Captain Beville-Anderson are not necessarily ones we agree with in total, but nor do they give us any cause for great concern. Different people have different views.

Senator O'BRIEN—Did Airservices have an officer on the trip that Captain Beville-Anderson went on?

Mr B. Smith—Yes.

Senator O'BRIEN—Did they produce their own report?

Mr B. Smith—Yes. That is the report to which I was referring a couple of moments ago.

Senator O'BRIEN—Is it possible for the committee to receive a copy of that report?

Mr B. Smith—Certainly.

Senator O'BRIEN—Yesterday, the minister tabled a copy of Mr Wes Willoughby's review of the national airway space and competition for airport related services. Did Airservices provide input to his report?

Mr B. Smith—We did, yes.

Senator O'BRIEN—Can you provide an outline of Airservices' views on it?

Mr B. Smith—We have the report only in draft form. To my knowledge, we have not seen a final version of that report. I certainly have not. We certainly had some significant issues with the draft report, but I am not sure whether those were in any way changed with the final version.

Senator O'BRIEN—The report says that the Australian national airspace model has a potential financial benefit of over \$70.2 million. Do you understand how Mr Willoughby calculated this figure?

Mr B. Smith—No.

Senator O'BRIEN—Do you agree with the rationale and assumptions used in the costing?

Mr B. Smith—No, we do not.

Senator O'BRIEN—Was Airservices involved in any way in calculating the figure?

Mr B. Smith—We provided a certain amount of financial information to Mr Willoughby, but it was clearly not utilised, or it certainly was not apparently utilised, in the final figures that came out.

Senator O'BRIEN—Did Airservices advise Mr Willoughby that it had concerns with the basis of his calculation?

Mr B. Smith—No, we did not have the opportunity to do that, but we certainly passed our concerns on that to the ARG, the Aviation Reform Group. They commissioned the report; they were given the report. We were not given it at that stage; we received it in draft form later on. We passed on our comments then.

Senator O'BRIEN—Has the Airservices board been apprised of the recommendations in the Willoughby report?

Mr B. Smith—In a general sense, not word by word.

Senator O'BRIEN—Did they take a view on it and make a formal decision about that view?

Mr B. Smith—They were aware that management were passing comments, and they supported the comments that we made.

Senator O'BRIEN—Does Airservices support the view that competition for Airservices is essential for it to be able to lower its prices?

Mr B. Smith—Airservices Australia believes that competition is a healthy thing in most marketplaces. We have always welcomed the thought of competition in towers and the rescue and firefighting services. However, as I recall, in the report to which you refer there was reference to north-south competition. We cannot see the value in that because you cannot have two air traffic providers separating traffic in the same air space.

Senator O'BRIEN—That is self-evident.

Mr B. Smith—That is right; I would have thought so. I do not know how they are going to compete if one is up there doing their monopolistic thing and the other is down here doing it. I have not been able to come to grips with that. I must say that the report I saw lacked any substantiation or support for many of these claims. It just said, 'This is a good thing.' I do not understand the rationale that got Mr Willoughby there, so I am at a bit of a disadvantage.

Senator O'BRIEN—Although the report was tabled in the House of Representatives yesterday it only became available some time this morning and I have not had a chance to look at it closely. Is competition the same as corporatisation?

Mr B. Smith—No, it is not, Senator.

Senator O'BRIEN—What is your understanding of the current regulatory environment regarding the capacity of alternative service providers for Airservices' functions?

Mr B. Smith—Could I ask you to repeat that question?

Senator O'BRIEN—Is there a regulatory environment for potential competitors to Airservices for providing the services that Airservices provide now?

Mr B. Smith—I will ask Mr Grant to answer that.

Senator O'BRIEN—I am sorry I cannot put the question any more clearly than that.

Mr Grant—In the CASA regulatory changes that went in on 1 April, there are schedules that set out who can provide certain services. By and large, those schedules say that Airservices Australia is the sole provider, but there are certain circumstances when other providers may be possible. For example, for the provision of a fire service, under the Airports Act there is the ability for the minister to approve alternative providers under certain circumstances. That is enshrined in the CASA regulations, or schedules, that were put out on 1 April. By and large, there is limited opportunity for alternative providers. Specifically for

the fire service you could envisage a situation where the minister might approve another fire service provider at a particular airport on request of that airport operator. I hope that answers your question, Senator.

Senator O'BRIEN—Yes, somewhat. The Willoughby report mentions airports interested in providing some services such as firefighting services, which you have just mentioned. But has Airservices received any approach from any organisation seeking to provide those services?

Mr B. Smith—No. The truthful answer to your question is no, although there was a time some years ago when we were looking at contracting out some of those services. There were one or two organisations interested at that time. You might remember the failure of CAR 100 and that stopped that process at that time.

Senator O'BRIEN—Do you agree with the costings in the report relating to the training of air traffic controllers in software development?

Mr B. Smith—No, Senator.

Senator O'BRIEN—Can you tell me which parts of the report that you do agree with? That is probably the most difficult question I have asked you.

Mr B. Smith—You have me struggling, Senator. I must highlight again that I have only seen it in draft form, but that report that I did see—I certainly asked our folks to analyse it—in many areas just gave no substantiation that made claims. There may well be things that are valid in the report, but there was no way of analysing that to tell whether they were true or not. There were others that were absolutely wrong and clearly wrong. I thought that we had conveyed all the figures and support necessary to Mr Willoughby to draw that conclusion. I was absolutely gobsmacked when I saw the draft. Things like productivity, for instance. We have recently received the result of a benchmarking survey by the Euro control people where they compared European, American, FAA and ourselves in productivity terms, and we come out ahead in most respects. It was quite positive, yet that sort of thing is not reflected in the report. I would say that Mr Willoughby did not have the advantage of those particular figures at the time he put it together.

Senator O'BRIEN—Have you provided a response to the report to the minister?

Mr B. Smith—No. The report was commissioned by the ARG, and we provided our comments to the chairman of that group.

Senator O'BRIEN—The subsidy for transition to location-specific pricing is due to run out at the end of the next financial year unless it is renewed by the government. Is that right?

Mr B. Smith—That is correct.

Senator O'BRIEN—Can you tell us when the subsidy commenced? It has been the same figure of \$7 million each year.

Mr B. Smith—My recollection is 1998 but it may have been 1999.

Mr Yuile—I understand that it was 1999; it was \$11 million for two years.

Mr B. Smith—In the 1998-99 financial year it started off at \$11 million and is now \$7 million.

Senator O'BRIEN—I think we have heard today that there were 14 airports currently benefiting from a subsidy; 15 are eligible and all the 15 eligible, except Hobart, are receiving the benefit of the subsidy.

Mr B. Smith—That sounds about right.

Senator O'BRIEN—Can you give us a breakdown of the proportion of the subsidy that is incurred for each of these 14 airports?

Mr Barber—I can give you an indicative breakdown—the figures are very close—of the \$7 million. I will just read them out if that is okay. There is \$390,000 to Albury; \$860,000 to Archerfield; \$710,000 to Bankstown; \$90,000 to Camden; \$380,000 to Coffs Harbour; \$1,060,000 to Essendon; \$560,000 to Jandakot; \$40,000 to Launceston; \$260,000 to Mackay; \$250,000 to Maroochydore; \$750,000 to Moorabbin; \$780,000 to Parafield; \$210,000 to Rockhampton; and \$650,000 to Tamworth. That should total \$7 million.

Senator O'BRIEN—I will take your word for it at this stage. Of the list of 15, have any airports been taken off that list in the life of the subsidy?

Mr Barber—Not to my knowledge. Looking back on the records, they have stayed the same airports that have been eligible for the subsidy from the beginning.

Senator O'BRIEN—Do you have a breakdown of the cost per tonne to land at the airports that you have just listed?

Mr Barber—Yes, I do. It is \$7.42 per tonne. It is a capped price.

Senator O'BRIEN—Is that the actual cost?

Mr Barber—The actual cost to us per tonne?

Senator O'BRIEN—Yes.

Mr Barber—I do not have them calculated, so if I could take it on notice.

Senator O'BRIEN—Yes, that would be good. That will be the cost of providing the service?

Mr Barber—That is correct.

Mr B. Smith—We can scale it for you. The worst of the airports was around \$32-odd a tonne at one stage. It depends on the throughput and it is simply a division of cost versus throughput.

Senator O'BRIEN—It also depends on how they fared with the restructure of airline services with the demise of Ansett in some cases.

Mr B. Smith—The airport I am talking about is a GA airport, so there was no RPT through it.

Senator O'BRIEN—Moorabbin has some RPT.

Mr B. Smith—It had at one stage and it may still have. I think you are referring to the Tasmanian service.

Senator O'BRIEN—Yes, and Flinders Island. Essendon does not have any RPT anymore?

Mr B. Smith—Not at this point in time, but it did.

Senator O'BRIEN—Does Parafield have RPT?

Mr B. Smith—Not that I am aware of.

Mr Barber—It is general aviation.

Senator O'BRIEN—Tamworth does.

Mr B. Smith—Yes.

Senator O'BRIEN—The first one you mentioned—I have the number but not the name—Archerfield is a GA—

Mr Barber—Albury was the first.

Senator O'BRIEN—Does that have some RPT?

Mr B. Smith—Yes.

Senator O'BRIEN—And the second one was Archerfield?

Mr Barber—That is correct.

Mr B. Smith—The answer is probably not, but there is no reason why an RPT service could not start up at some time.

Senator O'BRIEN—The minister's budget press release of 13 May says:

... Airservices will set its Hobart Airport tower charges at the same figure ...
that is, \$7.42 per tonne—

as well as its tower charges for general aviation at Cairns, Coolangatta and Canberra Airport.

Does that mean that the actual cost at those airports is less than or equal to \$7.42 per tonne?

Mr Barber—The costs are actually more and, as far as I know, there are no alternative GA ports at Canberra, Coolangatta and Cairns. In order to cater for that a pricing arrangement was brokered to ensure that GA was not disadvantaged at those locations.

Senator O'BRIEN—What about Hobart?

Mr Barber—Hobart was identified as one of the ports from the very beginning that may be subject to unreasonably high prices with the introduction of location-specific prices. However, it has been hovering around break-even for a number of years. It really has not availed itself of the subsidy at that location, or we have not allocated the subsidy specifically, although it is certainly one of the ports that we could apply it to.

Senator O'BRIEN—When you say 'hovering around' it might be a little more and all sorts of different types.

Mr Barber—Certainly. When Virgin came in, for example, the activity picked up. But when Ansett collapsed there was a fall-off. Certainly since September 2001 there has been further deterioration.

Senator O'BRIEN—I thought Launceston's was worse, as Virgin's use of 737s with aircraft size affected the revenue significantly.

Mr Barber—I think there has been a mix of aircraft flying into those ports over a number of years now. That is why I say that both those ports have oscillated, although Launceston has remained at a loss, to my knowledge, throughout that period. It is certainly the case at the moment.

Senator O'BRIEN—Yes, it is \$40,000, which is a marginal loss. Ansett's demise saw the CRG, a very small aircraft, leave, and Virgin's arrival brought 737s. My understanding is that initially we have a much larger maximum take-off weight?

Mr B. Smith—Yes.

Senator O'BRIEN—Qantas brought in 717s instead of the BAE 146s. You had a larger aircraft by both operators and as many flights, so there must have been more income generated from that factor. Is it fair to say that that would have brought the Launceston figure down considerably?

Mr Barber—I am sorry, I missed the last part of your question.

Senator O'BRIEN—Is it fair to say that that aircraft mix would have brought down the need for a subsidy to Launceston significantly?

Mr Barber—I don't have the historical data. I am just looking at our 2002-03 budget position. Certainly our estimate of Launceston's profitability was substantially higher than the \$40,000 you are talking about. I think you mentioned \$40,000.

Senator O'BRIEN—I thought you told me that was the subsidy.

Mr Barber—That is right, but the subsidy is insufficient to cover the costs of those locations. So \$7 million is the government subsidy, but those ports are actually incurring costs in excess of that subsidy.

Mr Smith—The subsidy shortfall is \$10 million. So it actually costs us \$17 million—the loss is \$17 million.

Senator O'BRIEN—Have you done the proportion across those?

Mr Barber—That is correct.

Senator O'BRIEN—You work out the cost by dividing 17 by seven, and then multiplying—

Mr Barber—I am sorry to interrupt. The \$7 million is apportioned in accordance with an agreement with the Department of Transport when the subsidy was first introduced. However, it does not allow us to increase the cap at any of those ports. So all those ports are benefiting from a capped price. What happens is that the loss incurred after the subsidy has been applied will increase or decrease, in sympathy with the activity at those locations.

Senator O'BRIEN—Do you know how the government determined that it would apply the subsidy to, say, Mackay rather than Cairns?

Mr Barber—To my knowledge, right at the beginning there was an exercise which tried to apportion the subsidy in ratio to the losses being incurred at the time. I am afraid that is the extent of my knowledge. There was certainly a basis that was started at that point.

Proceedings suspended from 4.02 p.m. to 4.18 p.m.

Senator STEPHENS—Mr Smith, I want to go to the issue of the deferral of the increase in Airservices charges. I understand that Professor Fels has put a stop on that proposed increase.

Mr B. Smith—The ACCC has come out with a preliminary finding—I think that what is what they call it—which says they are rather concerned about it. If I were not here, I would be talking with the ACCC this afternoon. There is a meeting on, as we speak, on that very subject.

Senator STEPHENS—Can you provide us with an outline of what the charge increases were to be and the justification for them?

Mr B. Smith—Yes. The 2003-04 average price increase of 2.7 per cent on current prices, which is 0.4 per cent in real terms, or 0.6 per cent on July 2002 prices, which is minus 1.7 per cent in real terms, will be applied under this proposal as a 6.95 per cent increase on current prices at uncapped terminal and rescue and firefighting locations. The exceptions to that will be Darwin and Townsville terminal navigation services. They are Air Force controlled fields, and we seek to recover the cost of our navigation aids, telecommunications and so on. On Hamilton Island the terminal navigation price will rise by 37.9 per cent, which will bring it up to the same level as other capped regional locations in order to minimise the losses being incurred at that port.

The rescue and firefighting services are impacted by new CASA regulations. These new CASRs, as they are called, require us to upgrade services at two ports and to establish services

at Uluru, where no such services have existed previously. Mackay is expected to rise by 58.9 per cent to \$15.86 and Rockhampton is expected to rise by 46.2 per cent to \$14.02. Of course, we still have further work to do on refining those prices. I should highlight, however, that the en route price will not change, as that service is expected to make fair returns over the current year. I also note that the en route charges form the bulk, or a significant amount, of our total revenue.

Senator STEPHENS—You said that you actually have to establish new services at Uluru.

Mr B. Smith—Yes.

Senator STEPHENS—Do you have an estimate of the establishment costs?

Mr B. Smith—We do not have the budgetary figure for that. The reason for that is that we will not actually be able to start charging until the next financial year. But we are going to incur serious start-up costs in this financial year by way of preparation. Also, at Uluru there are a number of imponderables, because of the fact that it is so remote. We do not know whether we are going to have to staff it as a fly-in, fly-out operation or whether we can get permanent employees, and we do not know what we might be able to do with the local NT fire service, which is also represented there, by way of getting some efficiencies. We are having discussions with them about that at the moment.

Senator STEPHENS—Are you saying you have not budgeted for the start-up costs in this financial year?

Mr B. Smith—We are budgeting for the start-up costs but not for the charges, because there will not be any charges in this next financial year.

Senator STEPHENS—What are your estimated start-up costs?

Mr B. Smith—That I do not know. I am advised that the start-up costs for Uluru are not actually in this budget; my apologies for that. They are there for Rockhampton and Mackay, not Uluru. That is because we will not incur the costs until the next financial year.

Senator STEPHENS—I understand that the ACCC's concern is that you have taken a short-term approach to the whole issue. What is your response to that?

Mr B. Smith—Last year, the ACCC said that they had a preference—that is the way they stated it; 'a preference'—for us to take a longer term view. One of the questions we had for them this afternoon is: why is it now an absolute when it was a preference at that time? We think that, whilst notionally and academically a three-year or five-year price path might be good and certainly would give some level of surety to the airlines, if we had adopted such an approach three or four years ago we would never have given the nearly 25 per cent reductions in charges to the industry that we have over that period, voluntarily and without any pressure from the ACCC or anywhere else. We simply said, 'We're going to do this in the best way possible,' and that is what we set about doing. If we had set out on a three-year price path there is absolutely no way we would have ended up with that result. However, we must be guided by the ACCC. If that is the way we need to move forward we will do that. We are having discussions with them to try to sort that out now.

Senator STEPHENS—One of the considerations is the slump in the aviation industry. That would be of concern to both the ACCC and, I presume, the government. I understand that the minister was concerned about that as well. Did the minister actually ask Airservices to put a stop to its proposed increases?

Mr B. Smith—Yes. The minister wrote to us and said that he thought that that was not a good thing for us to be doing at this time. We have responded to the minister. Clearly, if the

minister wants us to go in a certain direction, then that is what we ought to be doing. We have spent a great deal of time and effort on motivating our work force to think and act commercially. That is why we have been able to pull \$140 million out of our charges over the period we have. We are saying to the government: 'Please, if you are going to do that, fund us for the shortfall. Don't just take it off the bottom line for us, because it demotivates our work force.' Everything we are trying to do and achieve, which I must say has been recognised as the best in the world by two organisations, including IATA, over the last couple of years, is going to deteriorate and die. So we are saying, 'Whatever you want to do in this respect, please fund us to do it.' We sent that response back to the minister, and we are talking to the minister and the department about that now.

Senator STEPHENS—Is it possible to get a copy of the minister's letter and your response?

Mr B. Smith—I would have to check that.

Senator Troeth—We would have to refer that.

Mr Yuile—The minister has already responded and indicated that he is not prepared to pass on that correspondence to the committee.

Senator STEPHENS—Are the things that have been going on in the aviation industry—SARS, Bali and the Ansett collapse—the kinds of reasons that the minister is concerned about your proposals?

Mr B. Smith—The minister has stated that he is generally concerned about the state of the industry. What drives that exactly I do not know.

Senator STEPHENS—What about the industry organisations? Have they opposed the proposed charges?

Mr B. Smith—Yes. We find they always oppose any price increase. In fact, when we put the prices down, it is normally not by enough. It is difficult to detect the balance in their comments.

Senator STEPHENS—Did any organisation support the charges in terms of supporting your regime and what you are trying to achieve?

Mr B. Smith—I would have to do some analysis on that. Nobody amongst our customers is likely to come out very strongly supporting us, as I am sure you will understand.

Senator STEPHENS—Still, I think that, when you are trying to act in a strategic way, perhaps some of the industry organisations might see what you are trying to do. It will be interesting to see, when you do that analysis, if you have some support.

Mr B. Smith—I should add that we voluntarily reduced en route prices during the year by 3.9 per cent, which is a large chunk of our overall charges.

Senator STEPHENS—The *Sydney Morning Herald* article quotes Airservices as saying that the increase had been worth about \$14 million over 12 months. Is that correct?

Mr B. Smith—That is about right.

Senator STEPHENS—That is the figure you just mentioned?

Mr B. Smith—That is about it. What we are seeking to do here is not to recover a normal return as we would under normal circumstances. We recognise the state of the industry, and our board has agreed that we should be trying to recoup much less than we otherwise would, given these circumstances. So we have dropped the rate of return quite considerably. I also ask the committee to note that we are a commercial organisation. We want to be sure we are

making sufficient profits to be able to reinvest in research and development for the safety systems and so on that we need. Our total role is safety; that is the reason we exist. If we start cutting back too far, then we are going to compromise that.

Senator STEPHENS—How will you make up that revenue if your increases are not allowed?

Mr B. Smith—With difficulty. It is going to require us to look at everything we are doing and why we are doing it. We can't take a short-term view on this; we must take a medium- to long-term view. Our response to these things has been demonstrated over the past few years. We responded to Ansett, for instance, by doing all sorts of things, such as implementing forced leave-taking. I might add that all my senior staff voluntarily took a salary cut at the time. Once again, we are going to have to go to the well and see how deeply we can dip.

Senator STEPHENS—Do you think it will involve staff cuts?

Mr B. Smith—At this point in time, I do not know. We have not even resolved with the ACCC whether or not this is going to happen.

Senator STEPHENS—Did the minister actually approve the application to the ACCC?

Mr B. Smith—No, the minister is not required to do so.

Senator STEPHENS—Did you run it by him before it went to the ACCC?

Mr B. Smith—Yes.

Senator STEPHENS—If the ACCC rejects your application at this time, is there a statutory time period within which you cannot apply for another increase?

Mr B. Smith—Not that I am aware of.

Senator STEPHENS—What are your plans now, seeing as you are in limbo?

Mr B. Smith—We are working with the ACCC. As I said, we are meeting with them today to try to work out a way forward and to determine whether their requirement for a price path is absolute. We are not trying to fight city hall on this. We need to understand what is possible and what is not, and then get on with doing it. But, at this point in time, we are not sure what that is. The ACCC finding is a preliminary one only—it is out there for comment—and we need to go back and sort out what that might mean for us.

Senator STEPHENS—At the last estimates round, we discussed the circumstances around the 26 November 2000 announcement by the minister that the air traffic control en route charges would be cut by 3.6 per cent from January. The committee was told on 11 February that the minister had again written to the chairman asking if there was scope to provide additional relief to the industry through a reduction in prices. So the minister is asking Airservices to take another decision worth \$3.5 million over three months. Is that right?

Mr B. Smith—It is in that order. I think \$3.4 million rings a bell.

Senator STEPHENS—There is another decision relating to government intervention in Airservices, and that is the \$6 million election commitment to reduce en route charges for regional airlines which is on page 40 of the PBS.

Mr B. Smith—The charges for the regional airlines were not reduced through Airservices. That reduction, as we are calling it, was in fact enacted by Airservices still charging the same amount and by the Department of Transport and Regional Services sending out a cheque to these operators to reimburse them for part of those charges. Again, that was something that our board was very keen to make sure continued to happen on a sound, commercial basis—in

other words, rather than taking the money out of the Airservices till, by taking it out of the government till.

Senator STEPHENS—So, in terms of the previous two announcements, was this announcement to make up for that impost to the operators?

Mr B. Smith—It was not an impost; it was a benefit to the operators. Perhaps I should defer to the department here, because it is really something that the department is doing rather than Airservices Australia.

Mr Dolan—I think it was two budgets ago that the government introduced the scheme. The scheme was intended to reduce en route charges for a range of regional aircraft operations. The mechanism by which the government achieves that is, as Mr Smith has said, by providing refunds of Airservices charges to various aviation operators. That is run by our transport programs division.

Senator STEPHENS—How will the government's plan to corporatise Airservices Australia impact on their ability to politically influence pricing and charging arrangements?

Mr B. Smith—I cannot see that there should be any problem with what the government wants to do under such a scenario. There are a number of mechanisms available to government—directions, articles of association and so on—that would allow the government to do whatever it thinks is prudent.

Senator STEPHENS—Have those directions and articles of association been factored into corporatisation plans?

Mr B. Smith—We are nowhere near that point yet. Perhaps I could again defer to Mr Dolan and Mr Yuile, but we are in the very early stages of consideration here.

Senator STEPHENS—Mr Dolan, is it being factored into the department's plans?

Mr Dolan—The government is currently considering how it wishes to progress the issue of Airservices' corporatisation, so I am not in a position to say what the results of that would be. That decision has not yet been made.

Mr Yuile—Provisions such as those would be part of the government's considerations.

Senator STEPHENS—What is the time frame for that to occur?

Mr Dolan—There is no explicit time frame that I am familiar with. The government indicated, at one point, a place in the legislation program for the relevant legislation, but the policy decisions, let alone the drafting, have not taken place at this point.

Senator STEPHENS—Mr Smith, is it right that the subsidy for transition to location specific pricing for airport control towers has been going for more than a year?

Mr B. Smith—It was not part of a transition arrangement. Location specific pricing was, in fact, brought in. The subsidy arrangement came some time after that.

Senator STEPHENS—Is the \$7 million in the PBS sufficient to keep all the existing tower services in operation?

Mr B. Smith—I would put it another way. There is a significant shortfall between the losses we are making and the subsidy itself. As I stated earlier, that is in the order of \$10 million per annum.

Senator STEPHENS—Is Airservices looking to reduce the number of tower services in operation to help meet that shortfall?

Mr B. Smith—Yes. We are reviewing that on a constant basis, by monitoring movements and so on. But we believe that there are some control towers which should be looked at very carefully.

Senator STEPHENS—Have you identified those control towers yet?

Mr B. Smith—One is Camden, which is just outside of Sydney. That has been the subject of review over the past six or eight months, and there has been a great deal of consultation with local stakeholders and so on. We were fairly convinced that we could shut the control tower there because of the level of movements. But, in fact, when we did the safety case—and I guess this is the beauty of this process—it demonstrated to us that there was a skewing of traffic towards the weekend. So we are now looking at whether Camden might better be done by closing the tower during the week and having it open at weekends.

Senator STEPHENS—Is there anywhere else you have identified?

Mr B. Smith—Yes. We have not said, ‘Here is the stamp on this one’, but we are looking closely at Coffs Harbour and Albury. I do not have a full list available to me. I can get that if you would like it.

Senator STEPHENS—Yes, that would be useful. Thank you.

Senator O’BRIEN—Have you done an exercise to see what the network charging per tonne of MTOW rate would be?

Mr B. Smith—No, not to my knowledge. There is no point to that, because it is not government policy.

Senator O’BRIEN—Would it be difficult to do?

Mr B. Smith—I will check on that. Apparently, we did do such an exercise a year or so back. We could do some sums for you.

Senator O’BRIEN—I would appreciate that. Mr Dolan, I will throw this in here. Could you find out for us, please, whether the Bureau of Transport and Regional Economics have responded to the Willoughby report and whether we can have a copy of their response?

Mr Dolan—The Bureau of Transport and Regional Economics has provided a commentary on Mr Willoughby’s report to the Aviation Reform Group. As I think I indicated yesterday evening, because of the difficulties with the ARG being an advisory group to the minister, we will have to establish what can be released from what has been given to them. But the report has been prepared.

Senator O’BRIEN—Thank you for that. Mr Smith, I think you referred to a report on the productivity of Airservices and other providers, comparing your efficiency. Is that the Eurocontrol report?

Mr B. Smith—Yes.

Senator O’BRIEN—Is that publicly available?

Mr B. Smith—Not publicly—

Senator O’BRIEN—Is it not published?

Mr B. Smith—The public generally do not want it, but it is freely available. Would you like a copy of it?

Senator O’BRIEN—I would love the committee to have a copy of that.

Mr B. Smith—I am more than happy to provide it.

Senator O'BRIEN—Thank you. I will return to the issue of location specific charging. The PBS says:

This subsidy will continue to be funded by the excise and customs duty on aviation gasoline and aviation turbine fuels.

The rate of excise and duty will remain at 26c per litre, as I understand it. Is that right?

Mr B. Smith—No, I do not think so. It would be 0.26c per litre.

Mr Dolan—I was having palpitations for a moment.

Senator O'BRIEN—Sometimes dollars and cents are represented as zero point something, and that is the way I read it.

Mr Yuile—Just two decimal points this time.

Senator O'BRIEN—I was close. I was only moving the decimal point in this case, but the numbers were right. Do you know how much was actually collected from excise and customs duty on aviation gasoline and aviation turbine fuels in the current financial year?

Mr B. Smith—I would have to direct that question to the department.

Mr Dolan—We took that question on notice last night, and I think I indicated in that context that there would not be a figure for this financial year until after the end of the financial year. Customs do not do the calculation until the financial year is complete.

Senator O'BRIEN—Where are the figures for that collection for the years since the location specific pricing subsidy was put in place? Is there somewhere that they can be easily ascertained?

Mr Dolan—They are among the Treasury documentation. That is another question which, as I recall, we took on notice last night. I believe it was the figures from 1998 you were asking for. We are looking into that but have not been able to get them yet.

Senator O'BRIEN—Some of these questions you asked me to ask Airservices though.

Mr Dolan—Yes, but I do not think that that was one of them.

Senator O'BRIEN—I will be complete, just in case.

Mr Yuile—Just ask them the hard ones.

Senator O'BRIEN—Did I ask you about litres of fuel purchased in 2001-02, 2002-03 and to date in 2003-04?

Mr Dolan—No, you did not. My recollection is that you asked me whether this would be easily calculable from the excise figures and we indicated that we thought it would be.

Senator O'BRIEN—Mr Smith, is there a need to supplement the excise from the levy to pay for location specific pricing policy as a result of reduced aviation activity?

Mr B. Smith—It is probably more accurate to say that there is insufficient activity at a number of airfields that have control towers to pay for the cost of the service at those ports. The numbers that Mr Barber read out before indicate the quantum of the problem.

Mr Dolan—The other element to your question is that the government, in considering the excise levels in the budget context, took account of the likely projections for the next financial year in setting the rate and in dealing with the transfer of the charge relating to ACCC's airport pricing arrangements. The aim was that there would be an estimated \$7 million in excise revenue to fund the subsidy.

Senator O'BRIEN—The minister has foreshadowed a review of the subsidy. It is the department which is conducting the review, isn't it?

Mr Dolan—Yes.

Senator O'BRIEN—Has the government taken back any moneys previously advanced to Airservices as equity in the past couple of years?

Mr B. Smith—When you say 'taken back', I guess the answer is yes. What in fact happened was that we looked at our gearing ratio and our forecast expenditures as we modelled them at that time, and we had an external review done by a competent organisation, who recommended a range of gearing. We then suggested to the government that we make capital repayments in accordance with those recommendations, after the board considered the matter and agreed to the process. So yes, we have done some of that over the past couple of years.

Senator O'BRIEN—Is the number \$50 million about right?

Mr B. Smith—It was \$50 million for 2001-02. My recollection is that we have repaid a total of about \$75 million.

Senator O'BRIEN—Is that the sum of equity payments made to government since Airservices was created or have there been others?

Mr B. Smith—I would have to take advice on that. I have not been around long enough. I will have to take that on notice.

Mr Dolan—My understanding is that the two payments of \$25 million and \$50 million represent the total equity repayments made by the government to Airservices, but we will confirm that.

Mr B. Smith—It is the other way round; the payments were made by Airservices to the government.

Senator O'BRIEN—I thought you were saying that that was all the equity the government had given Airservices!

Mr Dolan—No. On establishment, Airservices was left with a substantial amount of equity from the former Civil Aviation Authority, as is reflected in the legislation for Airservices.

Senator O'BRIEN—Is there a projected amount for 2003-04?

Mr B. Smith—We are considering that matter at the moment. We have certainly included in our corporate plan of last year some projected figures. But, as I commented earlier, the financial world as we know it has changed quite a lot over the last year, so we are reviewing that matter at the moment.

Senator O'BRIEN—I expect the ACCC's rejection of your charge increase will make it harder to deliver an equity repayment.

Mr B. Smith—It does not affect things as much as one might at first think. The ACCC ruling is more a P and L issue, whereas the capital is a balance sheet issue. It is more about the capital program we have, and that capital program has altered as we have gone through our air traffic management strategic plan and recognised, with our customers, that we need to do certain things that we had not factored in. That is the main driver, as I understand it.

Senator O'BRIEN—You talked about the profit and loss effect of the ACCC rejection of the charge increase. Can you provide an overview of the current financial outlook for Airservices?

Mr B. Smith—For the current year?

Senator O'BRIEN—For the current year and the coming year.

Mr B. Smith—We do not have those figures for this year available yet. We do not have P and L forecasts available at this time.

Senator O'BRIEN—Is it expected that the government will receive a dividend for this year?

Mr B. Smith—That is a board decision which, I think, will take place in August, so I really cannot comment on that.

Senator O'BRIEN—Do you envisage any change to staffing levels?

Mr B. Smith—Not material at this stage.

Senator O'BRIEN—Do you envisage any change to the services that you provide?

Mr B. Smith—As I commented earlier, at this stage we need to understand what is going to happen with this ACCC decision first. Having said that, I will just give you the scale of the sorts of things that have caused the rollercoaster ride that we are on at the moment. In the last year, we have had a negative impact of around \$40 million because of superannuation contributions. The aviation superfund is a pretty good earner—it is up amongst the good ones in the country—but, nevertheless, it had significantly negative earnings during that period. We have put in nearly \$40 million in the last six months as a result of that. That is absolutely devastating for an organisation that turns over the amount we do. On the plus side, we have done a pretty good deal on a cross-border lease which has netted us a not dissimilar amount. None of that was sure; the superannuation was just not even contemplated. Insurance has gone through the roof. We have gone from \$1.5 million to \$5 million or \$6 million in insurance costs and have still not been able to get the sorts of cover that we had before. There are major items coming out of the woodwork, and probably the ones I have talked about have had much more impact than the ACCC decision that you just referred to.

Senator O'BRIEN—How do you see domestic activity for the future?

Mr B. Smith—I can give you some indication of domestic activity. My recollection is that it is around about five or six per cent. It is healthier than the international growth.

Senator O'BRIEN—What is the international growth expected to be, if any?

Mr B. Smith—Our current figures are indicating 0.02 per cent for international growth, which is very flat; three-fifths of not much. This is so volatile at the moment. We had September 11 and then we had September 13. September 11 would have taken an annualised amount of about \$140 million out of our bottom line had we not taken any action. We have had SARS—which has had a major effect—the Iraq war and terrorism. These things are causing major variations in our projections. On a monthly basis, we review them on the best information we have to hand, but I do not think that there are too many people who know much more about it than we do at the moment. It is a guessing game.

Senator O'BRIEN—Can you provide the committee with an update on discussions with the Department of Defence on combining services?

Mr B. Smith—Yes, I can. Things have slowed down recently. The Chief of Air Force and I, as you might recall, signed an MOU agreeing that we should combine the two and that having two air traffic systems at least notionally did not make sense. We have progressed to some degree, but for various reasons—RAAF, in particular, have been involved in other things—it has not gone anywhere nearly as quickly as we hoped. There has not been the progress that I anticipated.

Senator O'BRIEN—They may have been busy in Iraq.

Mr B. Smith—Yes, that is quite correct.

Senator O'BRIEN—Thank you very much for that. That concludes our questions to the transport part of this department. I think we are now up to regional services and local government et cetera.

[5.02 p.m.]

CHAIR—Thank you very much, ladies and gentleman. I will ask Senator Buckland to proceed.

Senator BUCKLAND—Can I begin by thanking the department for finally providing us with a detailed explanation of the functions of the Regional Development Group and the question of the associated staff numbers which I raised with you at the last estimates hearing. With that information, it is a lot easier for me to ensure that this estimates is less difficult. I will be able to ask officers questions about their own functions rather than beat around the bush and hope we land at some place of intelligence. Earlier in these estimates hearings, we discussed the regionalisation of regional program staff. Can you tell me what will happen to the structure and the staffing levels when the regional business development analysis is completed? You may also like to tell us when this will happen.

Mr Yuile—I think that is a very difficult question, because until the minister receives the report and takes it to government, we are not in a position of being able to answer the consequences of that report, for either the department, in a national office sense, or in our regional office network. I would like to be more helpful, but I do not think I can at this stage.

Senator BUCKLAND—When do you anticipate you will get a copy of this report?

Mr Yuile—I will invite Mr Doherty or Ms Armitage to respond. I expect that the panel will be providing a report to the minister in the next month.

Mr Doherty—We are expecting the report soon—in a matter of weeks, I would say—as Mr Yuile indicated.

Senator BUCKLAND—Is the report completed?

Mr Doherty—No, the report has not been completed.

Senator BUCKLAND—But you expect it to be completed and given to the minister in the next few weeks?

Mr Doherty—Yes, Senator. The report is being prepared by a panel. The panel has completed its consultation process and has been through the exercise of preparing its commentary and recommendations and is in the process of compiling those in finalising its report.

Senator BUCKLAND—Who is on the panel?

Mr Doherty—I will ask Ms Armitage to go through the panel members.

Ms Armitage—The chair of the panel is Dr John Keniry and the members are; Ms Sally Thomson, a director of Ruddweigh and a marketing manager of Petals, an Internet florist in Armidale; Ms Elspeth Radford, who owns Saltbush Clothing in South Australia, a business that sells clothing into regional Australia and up until recently was based in Burra; Mr Aivars Blums, who used to be the head of the Gladstone Development Authority but has now moved to advising a company; and, Mr Ed Notta, who is retired but has extensive experience in business—he was part of Aluswiss and he set up Gove. They are the five members.

Senator BUCKLAND—Some of those people are known to me by their business names and I guess my wife's desire to go into certain clothing stores at times. Apart from their own business acumen, did they bring outside expertise to the panel?

Ms Armitage—They brought their business expertise and a knowledge of regional Australia, having lived and worked in regional Australia.

Senator BUCKLAND—Were they paid consultancy fees?

Ms Armitage—They were appointed at level 3 at the Remuneration Tribunal. The daily rate for the panel was \$390 a day and \$440 a day for the chair.

Mr Doherty—To add to that, this is a part-time appointment, so they would obviously be paid those rates only the days when they were working.

Senator BUCKLAND—I was not going to start trying to add up the days of the years, but I appreciate that and I agree with you—that is understood. Is the process from there that the minister would get the report and the department would then be involved in analysing it and putting suggestions to the minister? What will the process be then?

Mr Yuile—The process is very much in the hands of the minister as to how he wants to handle that. It is a report to government, and I expect he would discuss with his colleagues whether he chooses to release the report or whether he wants to have a broader examination before releasing comment. These are questions that are really in the minister's hands.

Senator BUCKLAND—I imagine the report, in any case, would have some impact on the operation of the department and the delivery of services. Has there been any stargazing or looking into a crystal ball? Does the department have in its mind strategies for what may come out of that report—that is, considering what will be the effect on people?

Mr Yuile—We do not have a lot of time for stargazing, unfortunately. I will invite Mr Doherty to comment but, as I said earlier, it very much depends on the government's response to that report and how it chooses to take those recommendations forward. The resourcing of whatever recommendations the panel finally produces will, of course, be a matter for the government to consider in a budget context. It is particularly difficult to answer that question because we really do not know what the government's response will be or what other portfolios, if any, will be involved and so on. I am not trying to be difficult; I just do not want to give you an answer that I cannot sustain.

Senator BUCKLAND—Before Mr Doherty answers, the question was not to suggest for one moment that you have a lot of time on your hands to sit around beanbagging or whatever we call it—stargazing.

Mr Yuile—It has just been a long day.

Senator BUCKLAND—The question was asked because I know of similar reports in private industry. When the report has been prepared, it is not unusual for sections of the business to start pre-empting what may well come out of that report. I just thought you might have gone down that track to be prepared.

Mr Doherty—The trigger for any action would be a government decision on the recommendations around the report. Until we have the government's response to the report, we cannot really plan what resources might be required and where.

Senator STEPHENS—Mr Doherty, have officers from the department participated in drafting the report?

Mr Doherty—Yes. The regional policy division has assisted with secretariat support for the panel.

Senator BUCKLAND—What form did the secretariat support take? Were there people dedicated to that—as in they were taken off line from elsewhere to provide that support—or was it just as they were required?

Mr Doherty—No. As you will have seen from the answer we provided in March, there was a separate unit, called the regional business analysis unit within the division, where staff worked on these issues for the period of time that the secretariat has been in existence.

Senator BUCKLAND—Do you know at this stage what the cost of that has been?

Mr Doherty—Yes, we can give you some figures around the cost of that.

Ms Armitage—Staffing costs as at the end of April are \$601,000. There were some staffing incurred in 2001-02—about \$190,000—and the remainder will be for this year. So the total costs will be around \$601,000.

Senator BUCKLAND—So the \$190,000 comes out of the \$601,000 or is included in that?

Ms Armitage—Yes. I am giving you approximate figures, rather than to the last cent.

Senator BUCKLAND—I guess you know as much as I do at this time, which is very little, or I would not ask the question. On receipt of the report, is it intended to then go through that report, once you have access to it, with your staff and consult them regarding any recommendations that might be forthcoming?

Mr Doherty—Certainly. We would envisage examining the report closely once it is presented.

Senator BUCKLAND—On Tuesday, and I think again yesterday, we were talking about future administrative arrangements for the regional policy division and the regional programs division. The secretary of the department has indicated that there will be fewer staff across the two divisions. Can you run through the numbers of staff that may be in the divisions after 1 July.

Mr Yuile—I do not know that the secretary has issued any statement about the staff in those two divisions as such. He has certainly talked about the fact that we will be having fewer staff in the department overall. But I am not sure what you are referring to there.

Senator BUCKLAND—This was said during the last two days. There were references to this and hence I ask the question.

Mr Yuile—It is certainly true that, in addressing our future financial position there will be reductions in staff over time, but we were not specifying one or two divisions.

Senator BUCKLAND—Do you have numbers?

Mr Doherty—Senator, no decisions have been made about those sorts of issues. You will have heard from the discussion over the last two days that the broad approach is to arrange the department into five groups. There have not been staff numbers allocated for those groups at this stage.

Senator STEPHENS—Mr Doherty, when do you think that might occur?

Mr Yuile—I will say again that, in going through the processes in the light of the government's indication of the budget for next financial year and the forward years, we will be initiating a process to look at our business plans and the priorities that have been set for us, to look at how we deliver those and then to look at where the changes in financial targets will be across the organisation. We will be working through with each of the groups how we will meet those targets. That will not only involve staffing; it will involve a range of things we discussed on Tuesday night in terms of the forward strategy we are developing. The secretary has indicated that he likes to have budgets finalised by 1 July. He recognises that on this occasion, because we are going through significant change, we may not be able to finalise those until some point in July—that is the objective he has set to finalise those.

Senator BUCKLAND—I have to be cynical: ‘changes’, or the restructuring of departments, has always translated to me as, ‘We will reduce numbers.’ I may be wrong, but I very much doubt that. That will have an impact, will it not, on the amount of office space that you would currently be leasing. Is that the case?

Mr Yuile—Over time that will no doubt occur, Senator.

Senator BUCKLAND—Will it mean that you have changed leasing arrangements? Will there be costs involved in office space?

Mr Yuile—That will depend on the final shape of those groups and the staff numbers. We would obviously need to address the question of leasing in that context—but, at this stage, I am not in a position to firm that up. It would be premature to make comment about that at this stage.

Senator BUCKLAND—Which buildings in Canberra are currently occupied by the department?

Mr Yuile—We in national office are in three locations: Alinga Street, 4 Mort Street and 15 Mort Street.

Senator BUCKLAND—Do you know what areas are occupied in each of them?

Mr Yuile—I do not have the details regarding square metres with me right now, but I could get those for you.

Senator BUCKLAND—I would certainly appreciate it if you could provide that for me, and if you could also provide the cost of each lease.

Mr Yuile—We can do that.

Senator BUCKLAND—Are any of the buildings owned by the Commonwealth?

Mr Yuile—No, Senator.

Senator BUCKLAND—They are not?

Mr Yuile—I do not believe so.

Senator BUCKLAND—Are you able to tell us who does own the buildings?

Mr Yuile—I do not have those details with me.

Senator BUCKLAND—When you provide the other information, could you provide that for us as well?

Mr Yuile—Sure.

Senator BUCKLAND—Please provide also the date of entering into each lease and the duration of each lease at the time of its signing.

Mr Yuile—Yes.

Senator BUCKLAND—Has the department undertaken any analysis of the current market rate for leasing buildings near the department’s presently leased buildings? That is, do you do a regular check on that?

Mr Yuile—A service provider looks after our property, and we have just been through a market testing process. United KFPW is the manager of our property services and it certainly keeps a very close eye on the market and on the management of our leases. Certainly it is continuing to look at our strategies and approaches with not only our property in Canberra but also our property activity in the regions. That is under very active and constant review.

Senator BUCKLAND—From the recent review you have had done, how do your current office space areas compare with others in the area?

Mr Yuile—I do not have that detail with me. I know that United KFPW has been active in negotiating good rates, particularly on Mort Street. I think Alinga Street has another eight years to go. When I say that our property is under ‘very active and constant review’, I mean that KFPW looks all the time at how and whether we make best use of it. I do not know whether it has done a review recently of other rentals in and around the area, but I can check that for you.

Senator BUCKLAND—Is your current lease rate high compared with the current market rate?

Mr Yuile—I cannot give you that advice as I do not have that information before me. As I say, Alinga Street is a longer term lease; Mort Street is more recent.

Senator BUCKLAND—I wonder whether that has contributed in any way to the financial state of the department as was discussed earlier this week.

Mr Yuile—Certainly expenditure on accommodation has been an issue, but a range of issues has led us to look at the pressures in the out years. Property is certainly one of our expenses that we need to look at.

Senator BUCKLAND—Has consideration ever been given to leasing a single building for the whole of the department or to the advantages or disadvantages of doing so?

Mr Yuile—Going back in time, I think one of the reasons for moving into the Alinga Street building was to try to provide accommodation for everyone. That was before my time in the department, but I think the department was spread around at least four or five locations in that area. But certainly, as consolidation into Alinga Street took place, it turned out that there was not enough space, and we have had staff in the Drakeford Building and in 15 Mort Street as well as in Alinga Street. When the lease on Drakeford came to an end, we were able to secure a deal for Mort Street, which is immediately across the road. But at this stage we are in a lease for Alinga Street, which goes for another eight years, so we have a commitment there that needs to be fulfilled. At this stage we are not able to fit all our departmental staff into that one building. In any event, 15 Mort Street is where the ATSB is housed and parts of it have very specific facilities for the ATSB’s activities. I doubt that it would be cost-effective for us to even contemplate moving the ATSB. In fact, it is not something that we are contemplating.

Senator BUCKLAND—It really does affect office dynamics and efficiency; it has to be a problem. Would a reduction in staff numbers, perhaps as a result of the report you are awaiting, mean the vacating of one or more of these buildings, because you would no longer require the space?

Mr Yuile—I have already answered that I cannot speculate on the numbers and what they might mean. That is as far as I can take it at this stage.

Senator BUCKLAND—I go back to my stargazing question. I have a sneaking suspicion that departments such as your own are reasonably full of reasonably intelligent people. I might talk about the term stargazing, but I think that departments like your own are very good at advance planning and taking these sorts of things into account. How will you deal with the staff who are retained in the regional partnerships program? How will they be retained in the national office and how will they be restructured? Have you looked at that?

Mr Yuile—You are quite correct; we are blessed with fine staff. There are excellent people in all parts of the organisation, on both the transport and the regional sides of the organisation. We have given a lot of thought to regional programs and the way in which we will set ourselves up for the future. Ms Riggs, who is here with us, is the FAS of the Regional Programs Division. Her team and her staff—in both the national office and our regional

network—have been in constant discussion about that and about how we service and fulfil the requirements of the government and, indeed, of the communities we serve in respect of both regional partnerships and the Sustainable Regions Program—effectively there will be two streams. I am not quite sure how your questions run. If you have finished on the policy side, we could move into programs, if you wish. But I would suggest that it is better to keep the questions together.

Senator BUCKLAND—I have just about finished this part. What is going to happen to the staff who are administering the Sustainable Regions Program? Are there plans to regionalise them?

Mr Yuile—Is it okay if we pick that up in the discussion on regional programs?

Senator BUCKLAND—Yes.

Mr Yuile—There has been speculation about what ‘regionalised’ means, and I have already given one answer about that, but we can discuss it further.

Senator BUCKLAND—Yes.

Senator BUCKLAND—Before we do move on, I have a couple of questions which might be more appropriately asked later, and you can direct me with those. At a later time, although perhaps not tonight, I will deal specifically with the area of consultative committees. But regarding them generally, is there any duplication among the area consultative committees in the Regional Network Branch?

Mr Yuile—No.

Senator BUCKLAND—Is the future of regional transaction centres something that we should take up later?

Mr Yuile—That will all be picked up under the Regional Programs Division.

Senator BUCKLAND—That is fine. I have some questions on the Regional Policy Division. At the last estimates hearing we asked whether you had undertaken any cost analysis of the time taken and effort put in by organisations and businesses in responding to that particular inquiry.

Ms Armitage—My answer at that time was, ‘No, we have not.’ It is very difficult for us to do such an estimate, because individuals make their choices about submission type and length. It is difficult to know whether a lot of research had to be done or whether they could build on previous research. We just do not do that sort of analysis.

Senator BUCKLAND—In your planning for the inquiry, did you undertake any process to identify what time and effort may have been required to compile such a submission?

Ms Armitage—We did plan for the amount of time the secretariat might need to analyse the submissions. Obviously, when we were planning, we had to make some assessment about the number of submissions we might receive. We received 197 submissions and they varied in length from two pages to 20 pages. We calculated that we probably used just over 40 person-days to analyse those submissions. We did not do a lawyer’s trick of writing down every minute. That is what we calculated approximately.

Senator STEPHENS—Certainly in the inquiry about cost shifting in local government, an issue that was raised time and time again was the extent to which government expects local government in particular to respond to and participate in inquiries, with there being no recognition of the associated cost to local government.

Ms Armitage—The panel that was appointed was an independent one. It put out a request for submissions. I think we need to distinguish between a formal government inquiry and a

panel that looked to investigate regional business and its development. I know that the fact that there is a bit of consultation fatigue in regional Australia was raised on a number of occasions throughout the consultations—and the panel are very aware of this. But, as I said, this was a choice really—about who put in submissions. It is actually quite interesting to see that, of the 197 submissions put in, only a small number in fact attended the consultations. So the process of submission calling and consultation picked up quite different people.

Senator BUCKLAND—Where did these submissions come from, in the main?

Mr Doherty—I think the point needs to be made that there was no format for submissions. People were just invited to inject their views in the form they saw as appropriate. A range of organisations and individuals chose to put views in to the panel. There was also a series of meetings held at sites around the country. Those meetings were advertised, and people were entitled to attend, if they wished, and to put their views orally.

Ms Armitage—We had some individuals who put in submissions, we had small businesses, large businesses, business groups, local development groups, local governments—a whole range of different groups put them in.

Senator BUCKLAND—As part of this exercise, did you consider other regional business reviews that had been conducted by state governments and various other organisations?

Ms Armitage—The process had a reference group that was made up of two representatives from the states, plus Commonwealth departments and a whole range of industry groups. That was a very useful process, providing us with a range of research that had already been undertaken so that we did not actually have to start right at square one. In fact, given the time we had and the resources we had, we could not have done anything different. So we did get a range of research on different things from the Australian Industry Group and also from states and territories. We did a formal literature review as well, which looked across the United States and Europe, and that also provided a basis. We also used the work done through the OECD Territorial Policy Development Committee, of which I am a delegate as well. So we spread the net quite widely, in that sense.

Senator BUCKLAND—After listening to what you have just said, I do not expect you to answer this question off the top of your head. If necessary, please take this on notice: could you give us a list of those other reviews that you looked at?

Ms Armitage—We can provide you with a copy of the literature review, which is sourcing a whole range of documents. We can also give you a list of some of the material that we used. As you can appreciate, you use different bits of different material to inform the panel.

Senator BUCKLAND—Have there been any specific reviews done?

Ms Armitage—Of regional business?

Senator BUCKLAND—Yes.

Ms Armitage—Not specifically of regional business—that is one of the issues—but of small business or industry or whatever. One of the challenges for the panel specifically in terms of regional business—and I probably should have made that clear in answer to your last question—was that very few reviews of regional business have been done in the last five to six years. So we were looking at literature that was about business development and regional development more broadly, because both are so interlinked. So, as I said, there is nothing specifically about regional development that I could give you the title of, because you have to dip into different bits of material.

Senator BUCKLAND—I understand; thank you. Considering the work you have done and because a lot of the submissions were detailed, do you think when planning inquiries such as

this you should take into account the time and effort required by small business and business organisations to respond?

Ms Armitage—That is one of the reasons we had consultations and made detailed notes about them. So the panel did not rely just on submissions; the consultation process and the research process, with the submission process, were aimed to balance this out. Because we were very aware that small businesses are busy doing their business. It is interesting that, of the 197 submissions, 31 came from small business. But we must also remember that organisations like the Australian Chamber of Commerce and Industry and the Australian Industry Group have linkages with small business, and we spoke as well to the Australian Council of Small Business. We were not just relying on individual small businesses—and we acknowledge that that takes time—but also working with organisations that represent small businesses, and I think that is really important.

Senator BUCKLAND—Given that many reviews are undertaken in relation to small business and business development, particularly in regional areas, do you believe it is now acceptable to place that sort of imposition on small businesses, given their time and—

Mr Doherty—I am a bit worried about your use of the term ‘imposition’. Again I come back to the point that there was no compulsion on anyone to provide anything to this review. Participation was entirely voluntary and, if they wished to, they could limit it to the bare minimum.

Ms Armitage—Also, as I said, there was not in fact a lot of material on regional businesses. There was material on small businesses et cetera and also we received submissions from the major organisations with an interest in small business. Like Mr Doherty, I too am a little concerned at the interpretation that this is an impost.

Senator BUCKLAND—I used that term because, particularly in regional areas, small businesses feel a real obligation to respond and do something to try to boost their own business and also the economy of their area and to be responsible citizens in that area. I take your point that it was entirely voluntary, but I know small businesspeople in regional areas. They do have that sense of responsibility, but it takes a lot out of them to do it. I believe that it is an imposition on many occasions. They have to change their plans and activities to try and accommodate it. In most cases they are doing it not just for themselves but also for their community. I used the term ‘imposition’ in the sense that you cannot say, ‘You do it voluntarily; therefore it can’t be truly an imposition.’ I think for many people it is an imposition.

Over the years other organisations, such as the Australian Bureau of Statistics, have reduced the amount of red tape to be dealt with by small business, because small business complained about it. As the division responsible for regional policy, does it at all concern you that you have just imposed an additional load on regional businesses, without even thinking about how it will increase their burden? I take into account what you have already said, but does that concern you at all?

Mr Doherty—The imposition of any extra burden is obviously something you think about, as is any request you make for a response from people. There are a couple of elements to it. One issue that came out in consultation was concern about regulatory requirements, red tape and those sorts of things associated with working with government. While we cannot go into what the report might say, I hope that it can offer something in those sorts of areas and can look at that area broadly. The other issue is that it is important that the contribution of people

be recognised in that area. Again we are conscious of the need for there to be some feedback to people who have participated and contributed to the exercise.

Mr Yuile—Just to add to that, I think we all know the pressures on people in business in all areas not just in the regions, but it was quite clear that the minister's and government's decision to undertake this study was about addressing issues and needs. I have to say a lot of people were delighted that the government had taken the initiative and was understanding that there were particular needs in regional and remote areas in relation to their business activities. The issue is actually not one of imposition but of appreciation that the issues are being aired and ventilated and that they will be brought before the minister.

Senator BUCKLAND—I think you are right—people do appreciate it. But I think they would appreciate it if, after it is done, something actually comes out of it, because it is not the first survey that has been done. I think that is what is really frustrating small business at the moment, that it is just another report. I trust this is not just another report.

Mr Yuile—It is equally difficult to develop policy if you do not have data.

Senator BUCKLAND—Yes. I take it, then, that there is no process such as a regional impact statement that must be considered before undertaking a process such as you have gone through.

Mr Doherty—The regional impact statement comes in at a stage when a proposal is put to cabinet—there is a requirement at that stage. When we come forward with proposals out of this, it may be that we run into that requirement.

Senator BUCKLAND—I guess we have talked about this a bit but has a report from the regional business development analysis been drafted yet?

Ms Armitage—The report is in the final stages of drafting by the committee.

Senator BUCKLAND—Can you tell us when it is likely to go to the minister?

Ms Armitage—As we said earlier on, I think it is in a few weeks, if it goes according to plan.

Senator BUCKLAND—Is it only going to the minister or is it going to be publicly available?

Ms Armitage—It is a report to the minister and, as Mr Yuile has said, it will really be up to the minister to make a decision about what happens to the report after that. We are not in a position to make a comment on that.

Senator BUCKLAND—What about those who contributed to the process—will they get an overview?

Ms Armitage—Once the decision has actually been made about the report and the minister has made a decision, if part of that decision is to make it available then the report will be made available to those people who contributed. In the meantime, we are thinking about letting people know just the progress and where things are at. We do have phone calls and contact with people and there is a web site as well where we can inform people of what is happening.

Senator BUCKLAND—Did officers from the department participate in the drafting of that report?

Ms Armitage—Yes, they did. Obviously, as an independent panel who are also doing other things, we would provide some drafting and they obviously would work on the report. It is part of our role to synthesise and put together.

Senator BUCKLAND—I wonder if we can get a copy of that report.

Ms Armitage—I am sorry, it is the panel's report and it is a report to the minister.

Senator BUCKLAND—At the previous estimates you indicated that you received 199 submissions. You have indicated that you have analysed every one of these. I think that number differs a bit from—

Ms Armitage—It is 197.

Senator BUCKLAND—Yes, 197—I apologise for that.

Ms Armitage—We worked out that the database gave two numbers to nobody.

Senator BUCKLAND—That will eliminate a question, so thank you for that. You have indicated that you analysed every one of the submissions individually. Which of these submissions have raised the need for better coordination of information and advice between federal agencies?

Ms Armitage—I cannot, out of 197 submissions, actually say which ones raised that. The submissions are on the web site and that information can come from there. Rather than focusing on the individual submissions, Dr Keniry, who is the chair of the panel, provided an overview of the issues that have been raised through the submissions and through consultation processes at a public meeting in Coonamble. If you would like, I can actually run you through those issues rather than us going into the detail of the individual submissions.

Senator BUCKLAND—Please do that, thank you.

Ms Armitage—As I said, we have moved on. The submissions were part of the process, as were the consultations and as was some of the supporting research. There were four areas identified: business, government, people and infrastructure. As I said, I am taking this from the material that Dr Keniry made public, which I think is important.

Senator BUCKLAND—I am sorry; I think I missed one there.

Ms Armitage—They were business, government, people and infrastructure. In terms of business, issues were raised about accessing capital and finance and some of the difficulties that small businesses in regional areas have. Attracting investment to regions was under the business heading and one of the issues that came through there was the image of regional Australia and the need to promote the fact that regional Australia was a good place to invest in. The third area under that was competitiveness of business, which was about assisting regional businesses to improve their business skills so that they could access finance and capital.

In terms of government, it was about regional planning, which needs to have larger units for broader long-term regional economic planning and development across all levels of government. In terms of structures of government, an issue raised was better coordination across all levels of government and the need to streamline the regulatory framework.

In terms of people, the issues raised were again the image of regional Australia and the need to promote the benefits of a regional lifestyle and attract professionals. It was also about skills development, which was to improve access to skills development for young people and regional businesses and also about creating leadership teams.

The issues around infrastructure were about the fact that the level of infrastructure spending by both the public and private sectors may need to increase. There was a need to look at a national approach to infrastructure planning and basically that the actions that would come out of these would need to be part of a market driven approach. That was the material

that Dr Keniry presented to the Coonamble tent embassy and therefore it is in the public domain.

Senator BUCKLAND—Thank you for that. Some of that sounded as if I had made a submission myself but that is another thing. But anyway, I thank you for that and I will certainly look on the web site for those submissions that you said were there. Did any of the submissions raise the need for amalgamating local governments? In some states, that is happening or has happened to some degree. Was that raised as an issue at all?

Ms Armitage—As was mentioned, the size of governments was raised but not specifically the amalgamation of local governments. Now you could say the inference is amalgamation.

Senator BUCKLAND—So that comes under the government part of that.

Ms Armitage—As I said, the issues I have just covered really come out of a combination of submissions, consultations and research. They give you a step forward from what the submissions raised. As I said, they were Dr Keniry's public statements.

Senator BUCKLAND—I have arrows, lines and all sorts of things written down here from what you have been saying to me. If you have answered this, please tell me and I can avoid asking it. Which of the submissions raised anything to do with regionalisation of program delivery? I can read some in here that I could probably put into that category.

Ms Armitage—As I said, the submissions are all on the web site and the details are there so you can have a look at the different issues that were raised.

Senator BUCKLAND—I will look at the web site but I have to tell you that, for me to look through as much as I would like to, I would need to use the computer and I am not very bright at that. As you can see, I do not have one in front of me like some of my colleagues here. I would not want to embarrass myself.

Senator Troeth—We will have to give you a training course.

Senator BUCKLAND—I may well take you up on that. Did any of the submissions raise specific concerns about the zonal tax rebate?

Ms Armitage—Yes.

Senator Troeth—With respect, I think the officer has indicated that it is not possible to do a detailed analysis of the submissions here and now but, if they are available on the web site, I guess by some means or another it would be possible to view them.

Senator BUCKLAND—I will get them, but I would like to ask these questions. I can assure you, Senator Troeth, that I have crossed out a lot of my questions because of the answers I have been given, but there are one or two specific ones I would like answers to tonight.

Senator Troeth—I am just wondering whether, for your sake, any more detailed information will be available. Ms Armitage may like to respond.

Senator BUCKLAND—She has responded and has done it very well, thank you. Looking at the submissions overall, did you get a feeling, or a sense, that there was a very real need being expressed to you for an increased business support mechanism for regional areas?

Ms Armitage—The sense that came through the submissions and consultations was that, while there are a plethora of services for small business out there, they could be better coordinated and better focused to regional business.

Senator STEPHENS—That would seem to be a fairly common message which comes out of all kinds of regional development analyses, Ms Armitage. You say you spent 40 days

analysing the submissions. Were there any surprise messages for you, in respect of what you have been hearing?

Ms Armitage—The issue that has become very clear is the need for access to capital and finance. I am not aware that that has been so clearly demonstrated in previous reports.

Senator STEPHENS—Do you mean capital investment?

Ms Armitage—Regional businesses, like all small businesses, need access to money to keep going and to grow. There have been some views that this is about equity and people buying into regional small businesses. What has emerged is that it is about access to capital—it is debt. It is about ongoing finance from banks or whatever.

What has emerged is that the lack of closeness of regional businesses to lenders because of some withdrawal of lending services, of banks, has created a rather new dynamic which means that the market plan and financial plan for that business has got to be much more up to speed than when they could go in there and back the person rather than having to go to the plan, which was looked at at a fair distance from where they are. I think that has probably been one of the more recent issues that has emerged in regional Australia.

Senator STEPHENS—To what extent has the issue of skill shortages been raised? A very strong message to the Senate inquiry into future skills needs has been about skill shortages and the drain from regional Australia. Has that been a clear theme?

Ms Armitage—As I said, Dr Keniry's public information indicated that skills was an issue.

Senator BUCKLAND—You raised that under the people section, in the four sections you were talking about. Did they identify the skills shortage they were referring to? Was it business skills or was it more about getting people to work for them?

Ms Armitage—Dr Keniry's slides indicated that it was business skills that business wanted to look at. The public address indicated that it was also access to skills for training within regional Australia. This is an independent report to the minister. I have shared the material that has come out of the public meeting and out of some of the submissions. These are the issues that have come out of the submissions and the consultations that Dr Keniry has made public.

Senator BUCKLAND—As I said earlier, I am going to address the question of ACCs at a later time, but did the role of the ACCs come out in any of these submissions?

Senator Troeth—Again, Senator, I think it is possible to deduce that by looking at the individual submissions that are available.

Senator BUCKLAND—I will do that in detail, but I am just asking the question so we could find that out now while we are here tonight.

Senator Troeth—I think Ms Armitage has covered some of that in her description of the business skills, which is one of the broad areas that Dr Keniry identified. Without seeing the final report, I do not know that it is possible to go into this in any more detail.

ACTING CHAIR (Senator Ferris)—Senator Buckland, you might like to have a look at the submissions during the dinner hour so that the officers may be able to be of more assistance.

Senator BUCKLAND—I may well like to do that and I may wish to do others.

ACTING CHAIR—It just does not seem as if we are going to get very much further with this line of questioning, Senator Buckland.

Senator BUCKLAND—I would like to pursue it because I would like to know to what extent the ACCs were. I am not going to get a copy of the report. I can get a copy of the submissions and some conclusions will be drawn from those submissions that will not be or will be in the report. So I am just asking.

Senator Troeth—Nevertheless, Senator, you are asking Ms Armitage to draw a conclusion from what has been put forward in submissions and I think it is unfair to ask her to do that.

Senator BUCKLAND—I am not asking for conclusions at all.

Senator Troeth—You are asking her ‘to what extent’, and that is asking her to make a judgment.

Senator BUCKLAND—In that case, were there comments in any of the submissions about the ACCs?

Ms Armitage—Not that I am aware of, no.

Senator BUCKLAND—Thank you. That is all we needed. Has the department provided any advice to the committee about financing regional development and regional infrastructure?

Ms Armitage—Again, you are asking me to provide information on the panel’s deliberations which might form their views about the report. The information that we have provided about those deliberations is in confidence at this point in time because it may very well lead people to make some deductions about what is in the report.

Senator BUCKLAND—I would have thought that, if the department was giving advice on financing for regional development, that would not be something we would need to have as a secret.

Ms Armitage—I wish to make it clear that the independent panel has had a secretariat which we, within the department, have ensured worked to the panel. It has not provided any advice to the department apart from what the panel agreed should be given. Therefore, I am sorry, but it is not possible for me to give you information on what would be informing the deliberations of the panel.

Senator STEPHENS—At the last Senate estimates you indicated that there was some funding available for consultancies in that program. Has the committee engaged consultants to do any work for them over and above the secretariat’s support?

Ms Armitage—There has been some research undertaken on behalf of the panel but, as I said, because this is part of the policy deliberation of the panel, it is not possible for me to make that public.

Senator STEPHENS—Can you tell us which consultants have been engaged?

Ms Armitage—I think that could also lead to people making assumptions, which would not be a desirable thing.

Senator BUCKLAND—I feel my next question is going to get the same answer, but I trust not because I am asking it in all seriousness and I think we have an absolute right to ask these questions and get answers. Has the department been asked to provide any information or analysis on the use or availability of superannuation funds to help regions invest in infrastructure or business development?

Senator Troeth—Regrettably, I do not think it is possible for the officer to provide that answer.

Senator BUCKLAND—On what grounds do you base that?

Senator Troeth—I suspect that it may or may not form part of policy advice which the department may in future give the minister, and it is not in the public arena at present. What is in the public arena, as we have advised you, are the submissions which are on the web site.

Senator BUCKLAND—Yes, but an answer to that question will not be provided on the web site.

Senator Troeth—The answer is not publicly available at present. It is the subject of discussions which may or may not have taken place between the department and/or the minister and/or the committee.

Senator BUCKLAND—If a region or regional group were to ask for that advice from the department, we should be told if the department has provided advice. I cannot see anything at all that would restrain the department in providing advice of that nature to us.

Ms Armitage—Outside of the business analysis, I am not aware of the department being asked for that advice.

Senator BUCKLAND—Thank you. I really appreciate that. I think this has been answered but, to your knowledge, once the minister has been through this, is it the intention for the minister to publish the report? Has any advice been given to you as to what will occur?

Mr Doherty—As Mr Yuile indicated at the outset, that is a matter for the minister to decide on when he gets the report.

Senator BUCKLAND—Have you provided any feedback to those who contributed as to where you are at? Has there been follow-up consultation or contact with the submitters?

Ms Armitage—No, there has not been at this point in time. However, all the submissions have been acknowledged.

Senator BUCKLAND—I think that would acknowledgement of receipt would be standard practice.

Senator STEPHENS—That whole exercise is almost complete. Does that mean that the \$780,000 allocation has now been expended—is it \$780,000?

Ms Armitage—There was \$1.5 million allocated to that over the two years, and we are expecting that it will come in at about \$1.47 million expenditure. At the moment we are at \$1.3 million.

Senator STEPHENS—How much of that is staff costs?

Ms Armitage—As at the end of April the staff costs were \$601,000, which was made up of approximately \$193,000 in 2001-02 and approximately \$408,000 in 2002-03.

Senator STEPHENS—You provided some information about that staffing for our last estimates. I think you said there were five staff involved in providing support?

Mr Doherty—At the moment there are five staff. The unit has been staffed up to seven or eight during the process of consultation.

Senator STEPHENS—What will happen to those people when this process is finished?

Mr Doherty—The question of staffing once the report is finished has not been resolved at this stage. Our expectation is that the resources we require for the ongoing exercise will be absorbed into the broader resources relating to regional policy but that we will not need to continue with a dedicated resource at that sort of level for regional business.

Senator STEPHENS—Were any of the staff who have worked on this contractual staff for the purposes of this project?

Mr Doherty—Yes, a number of staff in that exercise have been on temporary assignment to the department, so the reduction from seven to five is the cessation of two temporary staff. Within that unit of five there is also one person who is on loan from another department, who will be returned.

Senator STEPHENS—Moving on to the Regional Policy Development Branch, in the answer to the question on notice you indicated that that branch had eight staff working on policy development and eight staff involved in issues mainly concerning regional women and Indigenous issues.

Mr Doherty—That is correct.

Senator STEPHENS—You have provided some additional information about what the Regional Policy Development Branch is doing. What issues in relation to regional women has that group been considering in 2002-03?

Mr Doherty—I will ask Daniel Owen, the branch head, to explain.

Mr Owen—The second group that has been appointed to the Women's Advisory Council started in September 2002. It has been working on a strategic plan since its appointment and has identified a range of issues that it is looking at at the moment. It will be meeting again in June to look at how it might progress those issues.

Senator STEPHENS—How often have they met since being appointed in September?

Mr Owen—They met in December 2002 and February 2003 and they are scheduled to meet again in June.

Senator STEPHENS—And that is the pattern—quarterly meetings?

Mr Owen—Yes, there are usually three or four meetings a year.

Senator STEPHENS—The PBS says that until 2001-02 the Rural Domestic Violence Program was administered by the department. What happened to that?

Mr Owen—The elements of that overall program administered by the department have now concluded. One is still concluding this financial year, but essentially those programs have finished.

Senator STEPHENS—Which program is concluding this financial year?

Mr Owen—We agreed to extend one project within the overall program into the current financial year. I understand that program has now wound up and been completed.

Senator STEPHENS—Are you able to tell me which one it was?

Mr Owen—It was a grant that was provided to the Iragul Aboriginal Corporation and Country Women's Association Norseman for a project aimed at increasing awareness of help and information available for those in domestic violence situations.

Senator STEPHENS—So it is just one project that has now been wound up. Does the department participate in any committees involved with domestic violence programs or projects?

Mr Owen—It does through informal meetings—interactions primarily with the Office of the Status of Women.

Senator STEPHENS—That is to give a rural and regional perspective to the issue of domestic violence.

Mr Owen—That is right.

Senator STEPHENS—Did the department spend all the money that it had allocated to domestic violence programs?

Mr Owen—I understand so. The Rural Domestic Violence Program provided grants totalling \$218,000 over that period to 17 projects.

Senator STEPHENS—You say that the department is informally involved with committees, particularly concerning OSW. Is that kind of linkage likely to continue?

Mr Owen—Yes, it is an ongoing interest and an interest of the women's council.

Senator STEPHENS—Is it a priority of the Regional Women's Advisory Council in this current strategic plan that they are working on?

Mr Owen—Yes it is. The women's council have identified reducing domestic and family violence and suicide as one of their major issues.

Senator STEPHENS—What resources are being applied to rural and regional domestic violence projects?

Mr Owen—In terms of our department, the resources are those in support of the women's council, and they then provide advice to the government on a range of issues affecting women in regional Australia.

Senator STEPHENS—Do you anticipate that the council will have some funds for projects addressing their priority issue?

Mr Owen—Certainly they have had support in terms of understanding and gathering information on the issues they have raised. It is not envisaged at this stage that there would be projects as such. It is a role of bringing that particular perspective to bear with the government and, through the unit, into the broader policy considerations of departments.

Mr Yuile—It also seeks to influence those large programs delivered in other departments, which obviously have a broader coverage and a depth in terms of this area, to have a responsibility. The important thing, as with other work of the branch, is to ensure that the regional and rural and remote perspectives are very much front and centre as part of the policy and program delivery of those departments.

Senator STEPHENS—It is certainly a critical voice to be heard in terms of strategic planning. Am I understanding from what you are saying, Mr Owen, that the women's advisory council will not have project funds?

Mr Owen—They may have access to project funds. They are actually at the stage of developing a strategic plan for their appointment period. The meeting in June is probably going to be a fairly focusing one. They have sort of identified the issues they would like to understand better, and at this meeting they will be planning how they might progress those issues.

Senator STEPHENS—So am I to understand then that the council will not have its own discretionary project funds to distribute?

Mr Owen—The only funds available in support of the council are those of the department in this area, and those are primarily staffing funds.

Senator STEPHENS—Can you advise whether or not the department or the regional advisory council has actually undertaken any research into the impact of domestic violence on the lives of rural and regional Australians?

Mr Owen—The previous council were involved, again, with the Office of the Status of Women in looking at and providing advice on domestic violence issues in regional and rural Australia. It is the sort of issue that has been very prominent in much of their previous work.

Senator STEPHENS—And so was it incorporated in the most recent ‘State of the country’ report from the council?

Mr Owen—The Regional Women’s Advisory Council?

Senator STEPHENS—Yes. Was domestic violence included in their report?

Mr Owen—Sorry, I do not recognise the name of that report.

Senator STEPHENS—‘State of the country’—isn’t that the by-line of the last report from the council?

Mr Owen—Not that I recognise. It might be a different council. There are a number with similar names.

Senator STEPHENS—Yes, it might be. It is one of the dilemmas that we have in navigating the issues. You suggested that the council has identified that as a key priority. Can you tell me how the council has in the past gone about addressing that kind of issue—and how this new council will do so? Is it the work of the council to undertake consultations or regional visits or roundtables on these key issues that it has?

Mr Owen—The council has scope to do a range of those things, but essentially the key role of the council is to provide advice and feedback on the specific issues that are impacting on regional Australia and the broader issues from a women’s perspective.

Senator STEPHENS—Can you tell me what the allocation is to support the women’s advisory council in this budget?

Mr Owen—The annual total cost of the council is approximately \$120,000. It is funded through departmental costs.

Senator STEPHENS—Do the members have a stipend or do they receive a sitting fee?

Mr Owen—Yes, they do. They receive a stipend payment based on level 2 of the Remuneration Tribunal guidelines, which is \$270 a day for council members and \$360 a day for the chairperson, plus reasonable costs or expenses for travel and accommodation.

Senator STEPHENS—Without pre-empting the work of the next meeting of the Regional Women’s Advisory Council, I wonder whether the current issues around child sexual assault, particularly given the demise of the Governor-General, are going to be a priority for the council. Have they identified that in particular?

Mr Owen—They have certainly not identified that context in particular, but they have identified, as I said, the broader issue of reducing domestic and family violence and suicide as an area for their attention.

Senator STEPHENS—That is domestic violence and suicide. What about child protection and sexual assault? Is that an issue?

Mr Owen—It is not a specific tag among their strategic priorities which has been identified, but I am very confident it would be an issue that they would traverse naturally in that role.

Mr Doherty—I am confident it is in their thinking, as part of that broad topic, from discussion at the first meeting, which followed that terrible case in the Northern Territory.

Senator STEPHENS—You pre-empted my next question, Mr Doherty. Who is the current chair?

Mr Owen—The current chair of the council is Anne Dunn, who is involved in facilitation, project management, community consultation and mediation.

Senator STEPHENS—You say that the council meets again in June.

Mr Owen—They do.

Senator STEPHENS—Do they come here?

Mr Owen—They come here, yes.

Senator STEPHENS—Do they ever hold regional or state based meetings?

Mr Owen—They generally hold their meetings in Canberra and invite ministers to attend their dinner.

Senator STEPHENS—So the council would not necessarily meet in, say, Toowoomba or somewhere else?

Mr Owen—Not necessarily, no.

Senator STEPHENS—Is it part of their brief to meet formally with state based women's advisory councils?

Mr Owen—They are very keen to broaden the networks which have been established already. Part of what they are doing at the moment is identifying groups with whom they feel they should have more strategic interaction.

Senator STEPHENS—But they do not have a formal connection with the state based groups?

Mr Owen—They do not, no.

Senator STEPHENS—Is it anticipated that, once the strategic plan is developed, it will be publicly available—either on the web site or through a publication? What is the usual process?

Mr Owen—They are taking a different approach from that of the previous council, in identifying these areas in this way. I am not aware that that decision has been taken yet.

Senator STEPHENS—I will make sure I follow that up with you next time. Thank you for that information. It is very useful.

Proceedings suspended from 6.27 p.m. to 7.30 p.m.

CHAIR—Thank you, ladies and gentlemen. We will resume.

Senator STEPHENS—We are proceeding now to the Regional Policy Development Branch, where we left off. Mr Owen, has the Regional Development Council met?

Mr Owen—It has not yet, no.

Senator STEPHENS—Are there any plans that it might?

Mr Doherty—Yes. As discussed at the last estimates hearing, we will look to arrange a meeting of the committee when the Standing Committee on Regional Development thinks there is an adequate agenda for it. We have a meeting of the standing committee in the middle of June and we are hoping that may lead to a meeting of the council around the end of July. But it will depend on getting the agenda from the official committee.

Senator STEPHENS—Has anything been done on developing an agenda for it?

Mr Doherty—Yes. The thinking is that the agenda will come through the work of the Standing Committee on Regional Development, which has met on three occasions at this stage and will meet for a fourth time in June.

Senator STEPHENS—When did the standing committee last meet?

Mr Doherty—I do not have that detail, but it was February, as I recall.

Senator STEPHENS—And it will meet again in June?

Mr Owen—Yes.

Senator STEPHENS—Early or late June?

Mr Owen—18 June.

Senator STEPHENS—Does the department maintain minutes of the standing committee meetings?

Mr Owen—Yes, it does.

Senator STEPHENS—Is it possible to have a copy of the minutes of the last meeting?

Senator Troeth—No, Senator, it is not.

Senator STEPHENS—There must be something interesting in there. The policy development branch has had some work done on the contribution of regional universities and their engagement with their communities. Has that been finalised?

Mr Owen—Yes, it has.

Senator STEPHENS—Can you tell us what the key findings were in that study?

Mr Owen—I think the key findings were that there are great opportunities for regional universities to work more closely with their communities. It highlighted a range of case studies of regional universities that have made very successful forays into doing that.

Senator STEPHENS—Did the unit provide policy advice about the budget announcement in terms of funding for regional universities? Did your unit feed any of that policy advice into the budget submissions?

Mr Owen—We certainly provided advice on the regional aspects of universities and the challenges of providing university courses in regional Australia and the differences.

Mr Doherty—Yes. We did have input to the department handling those issues including their forum sessions on regional universities.

Senator STEPHENS—In terms of Mr Garlick's study, I suppose the obvious conclusion from just observation is that some of his findings were that some universities are much better at engaging with their communities than others. Is that fair to say?

Mr Owen—Some have engaged very effectively so far and the idea of the study was to promote the opportunity for others to do so.

Senator STEPHENS—Did the study make any recommendations about improving capacity for engagement or opportunities? Did it identify opportunities for engagement?

Mr Owen—Yes, it did. It made some recommendations in that realm. It was research done for us to inform our input.

Senator STEPHENS—Were any of the recommendations advocating a system that provided a loading for students enrolled at regional campuses?

Mr Owen—I cannot recall. We would have to take that on notice.

Senator STEPHENS—Have you seen any guidelines about that kind of proposal?

Mr Owen—No. I certainly have not.

Senator STEPHENS—In terms of additional funding for regional universities, will there be a requirement from the universities to participate in some community engagement activities to attract the additional funding that—

Mr Doherty—I think questions about the scheme would really be for the education portfolio.

Senator STEPHENS—I will ask them next week. So your unit will not have any involvement in the grant scheme as it is proposed?

Mr Owen—No, that would be for that department.

Senator Troeth—It is in the education portfolio.

Senator STEPHENS—Thank you.

Mr Doherty—Having said that, we stand ready to assist with advice if they could use it.

Senator STEPHENS—In terms of the other policy advice that you have been providing—and we will move to the particular programs in a moment—have you been providing advice on energy infrastructure?

Senator Troeth—Again, Senator, I think that would be in another portfolio—Industry, Tourism and Resources, if I am not mistaken.

Senator STEPHENS—My question is about regional energy infrastructure and whether or not you have been providing advice about the bigger picture issues from a regional perspective.

Mr Doherty—I think our involvement in that area has been participation on a working group under the SCORD umbrella, which is looking at infrastructure issues more broadly. I am not conscious that, at this stage, it is focused on energy infrastructure in particular.

Mr Yuile—As a portfolio, there is another process, a whole-of-government energy task force, which is about energy policy. The department participates in that.

Senator STEPHENS—In an ad hoc way or is it participating in the task force?

Mr Yuile—As a participating member.

Senator STEPHENS—Thank you.

Ms Briggs—Last night, Senator Crossin asked a series of questions about the Remote Area Subsidy Scheme. We have responses to nine of the questions that she asked. I think it would be helpful if I tabled those rather than read out the answers because there are copies of guidelines—

CHAIR—Yes, that would be a very efficient way of doing it. Thank you very much.

Mr Yuile—I would like to make one other clarification while the officers come to the table. On Tuesday night, Senator O'Brien requested some details of staffing numbers in the Bureau of Transport and Regional Economics. I think Mr Slatyer, the first assistant secretary, provided his recollection of approximate current staffing numbers. He wanted to confirm with the committee that 43 staff are undertaking BTRE work. Four of those staff, including himself, also have non-BTRE responsibilities in the division.

[7.39 p.m.]

CHAIR—Thank you very much, Mr Yuile. We now move on to regional programs.

Senator BUCKLAND—In the budget papers, it indicates that the estimated actual expenditure for 2002-03 for the new regional partnerships program will be \$82.245 million. Is that still the case?

Ms Riggs—Yes, it is still our current estimate.

Senator BUCKLAND—So that remains as the figure we should be working on. Does this include estimated expenditure for the Regional Assistance Program?

Ms Riggs—Yes, it does.

Senator BUCKLAND—What is the estimated expenditure for the Regional Assistance Program in the current 2002-03 year?

Ms Riggs—It is \$24.4 million.

Senator BUCKLAND—The additional estimates document indicated that the revised budget for this program in 2002-03 would be \$24.533 million. What is the reason for the underspend?

Ms Riggs—It is largely to do with the rate at which existing contracts actually take up the payments that are due to them. Some projects run a little behind time, for example, so it is deferred payments or late start up of contracts from when the PAES was compiled late last year.

Senator BUCKLAND—Would the late start ups or those projects that get behind be funded to their completion?

Ms Riggs—Yes, they are, but some portion of the funding slips from one year to the next.

Senator BUCKLAND—Do you have a list of the projects that are behind?

Ms Riggs—Not with me, Senator.

Senator BUCKLAND—Could you provide those?

Ms Riggs—I will take that on notice.

Senator BUCKLAND—Also those projects that had the late start up, if you would not mind.

Ms Riggs—That one will be a little harder but we will do our best to compile the list.

Mr Yuile—Is there some particular aspect that you are interested in? We might be able to refine your interest so we can make sure we target our resources to you.

Senator BUCKLAND—I will not know until I see it. I do not want to put the department to unnecessary work—that is certainly not what I am about—but it certainly does help us work through that.

Mr Yuile—But your concern is about the reasons behind that?

Senator BUCKLAND—Yes, that is the real problem that we have.

Mr Yuile—It can vary enormously, as you can appreciate. If that is what you are interested in, we may also be able to compile a sense of the various issues that communities or individuals confront. I am just trying to make sure that we answer the question and sensibly use our resources.

Senator BUCKLAND—In asking the question I was hoping that it would be something that would be as simple as is set out within the Roads to Recovery where you can just look down the columns and see what is happening. I trust that could well be the case. Does the estimated actual expenditure of \$82.245 million include estimated expenditure for the Rural Transaction Centres Program?

Ms Riggs—Yes, it does, Senator.

Senator BUCKLAND—What is the estimated expenditure for the Rural Transaction Centres Program in 2002-03?

Ms Riggs—At this stage our estimate is that some \$18.6 million will be spent this year.

Senator BUCKLAND—The additional estimates document that I have in front of me at page 39 indicates that the revised budget for this program in 2002-03 would be \$30.619 million. Can you tell us the reason for the variation?

Ms Riggs—This is a program that is heavily dependent on communities coming together and negotiating the arrangements for a particular rural transaction centre. At the time the additional estimates were compiled we had anticipated that a not insubstantial number of cases would come together with the proposals that would be acceptable in the terms of the guidelines and we would be able to payments to those. In fact many communities have found it much harder than we had appreciated to put together their complete proposal for a rural transaction centre.

Senator BUCKLAND—Does that \$82.245 million include the estimated expenditure for the Regional Solutions Program?

Ms Riggs—Yes, it does.

Senator BUCKLAND—What is the estimated expenditure for the Regional Solutions Program in 2002-03?

Ms Riggs—\$20.6 million.

Senator BUCKLAND—The additional estimates document indicates that the revised budget for this program in 2002-03 would be \$20.6 million, so we are on target with that one.

Ms Riggs—That is right.

Senator BUCKLAND—That is one we can get a tick of approval for and be happy about. Does the estimated actual expenditure of that \$82.25 million include estimated expenditure for the Dairy Regional Assistance Program?

Ms Riggs—Yes, it does.

Senator BUCKLAND—What is the estimated expenditure for that Dairy Regional Assistance Program for 2002-3?

Ms Riggs—Some \$14.8 million.

Senator BUCKLAND—The additional estimates document indicated that the revised budget for this program in 2002-03 would be \$33.214 million. Could you give us the reasons for that fairly substantial variation?

Ms Riggs—Yes, Senator. There are broadly two reasons. Firstly, a couple of the approval rounds for the Dairy Regional Assistance Program ran later than had been planned at the time of the original estimate and, secondly, as you know, a not insignificant part of the grants under this program go to private sector companies. In some of those cases it is considerably harder given that for particularly large grants we seek to minimise risk to the Commonwealth and it has proven considerably harder than we had anticipated to get to contract in a large number of cases. That has meant that expenditure has had to be deferred to the forthcoming year.

Senator BUCKLAND—What have been the major impediments to your progress with that?

Ms Riggs—Quite simply, this is the first time that many private sector firms have had dealings with the government in a grants program arrangement and they are unfamiliar with the nature of the requirements that we ask them to sign up to through the contracts. They take longer because it is new and a first time for most of them to seek advice from their legal and

financial advisers before they are satisfied that they can sign up to the requirements that we are asking of them.

Senator BUCKLAND—Are departmental officers made available to consult with and counsel these applicants?

Ms Riggs—Indeed there is a process of negotiation of those contracts.

Senator BUCKLAND—Does the cost of providing those officers come out of the overall budget for the program?

Ms Riggs—Yes, it does.

Senator BUCKLAND—Are there areas that are more difficult than others—that might be not quite specific enough or too specific—for example, are some regions more wary of the program or more questioning of the program than others, and that is causing delays?

Ms Riggs—I do not believe that to be the case.

Senator BUCKLAND—Does the estimated actual expenditure of \$82.245 million include estimated expenditure for the structural adjustment program for the Wide Bay Burnett region of Queensland?

Ms Riggs—Yes, it does.

Senator BUCKLAND—What is the estimated expenditure for the Structural Adjustment Program for the Wide Bay Burnett region of Queensland in 2002-03?

Ms Riggs—It is \$1.6 million.

Senator BUCKLAND—The additional estimates document again shows the revised budget for this program in 2002-03 would be \$2.346 million. Is there a reason for that variation?

Ms Riggs—It is largely due to two of the projects that had been approved within that package. One of them has not been able to really get underway because it is in a drought affected part of the Wide Bay Burnett region. The other one has simply taken longer to get off the ground than had been anticipated at the time that the additional estimates were put together.

Senator BUCKLAND—Can you tell us which project is behind time?

Ms Riggs—Ms Key can assist you with that.

Ms Key—The Cooloola Agricultural Centre Trust has been affected by the drought. That proposal was to establish a processing storage and transport hub for local producers. The impact of the drought has meant that the project has been deferred somewhat. The second project is the Hervey Bay thrill seeker project. We have discussed this at estimates before. At the moment we are working very closely with the proponent of this project and expect to be making our first payment on that project before the end of the financial year.

Senator BUCKLAND—I think I might not delve into this too much. My mind is rattling here at the moment on that one.

Senator FERRIS—You are too young to go there.

Senator BUCKLAND—Thank you so much, Senator Ferris, I appreciate that comment, if only it were true. I feel myself blushing. Thank you for that, Ms Key, I think. Does the estimated actual expenditure of \$82.245 million include estimated expenditure for the special structural adjustment package for the south-west forest region of Western Australia?

Ms Riggs—Yes, it does.

Senator BUCKLAND—Again, could you tell us what the estimated expenditure for 2002-03 for that project would be?

Ms Riggs—Yes. It is \$2.25 million.

Senator BUCKLAND—The additional estimates document indicated that the revised budget for the program would be \$3.876 million. Could you give us the reason for that variation?

Ms Riggs—Yes, I can. When a package of projects was originally approved under this package, there were seven projects approved: two projects approved conditionally and three reserved projects. Regrettably, one of the original seven approved projects has not been able to proceed, and the two conditional projects were not taken up by the proponents—they were reluctant to accept the conditionality. So the three reserved projects have now been brought on-stream but, again, as happens, that means they are starting later and so the bulk of the funding for them will not be able to be spent this financial year and it will flow into the next financial year.

Senator BUCKLAND—What projects did not proceed?

Ms Riggs—Again, I will ask Ms Key to answer that.

Ms Key—There was the West Manjimup winery and olive processing facility. The proponents themselves advised the department that they did not wish to proceed. There was a new greenleaf foods processed vegetable factory development. That company went into voluntary administration and so we did not enter into a contract with them. There was a furniture factory project that was contingent on state funding, and state funding in the end did not come through.

Senator BUCKLAND—What are the reserved projects?

Ms Key—I do not have those with me, I do not think. I will just check for you.

Senator BUCKLAND—It will be fine to take those on notice.

Mr Yuile—We will let you know before the end of the estimates.

Senator BUCKLAND—Thanks very much. At the end of the day, Ms Riggs, the \$82.24 million will all be spent on the designated projects? There is no intention to pull money back because projects did not proceed or were late in starting, is there?

Ms Riggs—These are our best estimates at this stage. I cannot answer for what is going to happen in the next six weeks. But they were our best estimates at the time the document was compiled and since of what will be spent under the components and of what from next year will be the regional partnership program.

Senator BUCKLAND—In a joint media release issued by Minister Anderson and Minister Tuckey's offices on 13 May to accompany the budget papers, the Namoi Valley structural adjustment program was included in the programs bundled up into the regional partnerships program. Could you tell us how much is expected to be expended on that program in 2002-03?

Ms Riggs—My recollection is that two quite small projects have been approved by the minister for funding under that program to date. But it is not clear to us that we will in fact be able to achieve contracts and payments under either of those in this financial year. Our expectation is that we will not begin to spend money on projects under that package until into the next financial year.

Senator BUCKLAND—Is it correct that there is no separate allocation should these projects go ahead or, rather, is it that Minister Anderson guaranteed financial allocations from a range of existing programs such as to the Namoi Valley?

Ms Riggs—The Namoi Valley will be funded from within the envelope of funding available for regional partnerships next financial year and into the years beyond.

Senator BUCKLAND—If these additional projects go ahead it would be out of the same pot of funds?

Ms Riggs—That is right.

Senator BUCKLAND—What programs will funds be drawn from for the Namoi Valley structural adjustment package and how much from each of these programs will be drawn in 2002-03, 2003-04 and for the announced 10 years of the life of the program?

Ms Riggs—At this stage in terms of projects my expectation is that no funds will be expended in 2002-03 under the Namoi structural adjustment package. I cannot know at this stage how much will be required to be spent in the forthcoming financial year or the years beyond because, with the exception of the two projects that I have already mentioned, the committee has not proposed any further projects to the minister for funding.

Senator BUCKLAND—Thank you. This particular program—and I am relying on memory here—stemmed from a program in New South Wales to assist irrigators and communities adjust to the reductions in access to ground water. Am I right?

Ms Riggs—It is certainly true that New South Wales has arrived at a position and made it known to the users of water in New South Wales what their base ground water allocation is for the purposes of beginning to treat access to ground water as a commercial good. I do not think that it is fair to say that this assistance package spins off a New South Wales program of assistance. I think this is a separate Commonwealth response to the issues that it sees as having arisen in the Namoi Valley in particular because of the way in which New South Wales has distributed those base ground water allocations.

Senator BUCKLAND—The New South Wales government allocated \$20 million to the program and that \$20 million was subsequently matched by the federal government. Is that true?

Ms Key—The New South Wales money was linked to the implementation of the water sharing plan. The Commonwealth money was not a compensation payment to irrigators but rather a community adjustment package. They are two quite different programs.

Senator BUCKLAND—I appreciate that answer, but my understanding was that it was a dollar-for-dollar arrangement. I could be wrong and I will check that out. Do you know how much of the \$20 million that New South Wales committed under whatever—whether joint or separate programs—has been allocated to date?

Ms Riggs—No.

Mr Yuile—They are separate. As Ms Key said, the key issue for the Commonwealth and this department in respect of structural adjustment is community structural adjustment as opposed to industry structural adjustment.

Senator BUCKLAND—I understand that of the New South Wales government's \$20 million a large percentage has actually been committed. I also understand that it is money that is available now to irrigators and communities, whereas the Commonwealth government has committed their money to be spread over 10 years. Are we talking about the same program?

Mr Yuile—We are talking about two separate programs. I do not know how the New South Wales program runs—you would need to ask the New South Wales government. I would be very surprised if they were spending \$20 million in one year.

Senator BUCKLAND—I think we agree that there is \$20 million floating around here somewhere—hopefully we will find a hole for it shortly. Will any of the Commonwealth's money be used for securing property rights for irrigators in the Namoi Valley or to make adjustment assistance payments directly to farmers?

Ms Riggs—No, Senator.

Mr Yuile—There is money that the Commonwealth has allocated for this program and it is not a matter of finding a hole for it. It will be expended when the local committee and the philosophy of the government have been right through the partnerships programs in the sustainable regions.

Senator BUCKLAND—I was not suggesting you will find a hole for it; I was looking to see if I could find where I am getting my figures. I am looking for a hole or a slot for them to go into. I was not being critical. The joint media release that I referred to also mentions the Weipa structural adjustment package. Is the Weipa electricity generation compensation package referred to in the budget papers? I think the budget papers say that there will be \$8.8 million provided over four years.

Ms Riggs—Yes, that is right.

Senator BUCKLAND—So that is the same project. Will any of that money be expended on the project in the 2002-03 years?

Ms Riggs—No.

Senator BUCKLAND—The total revised budget for these programs, as indicated in the revised estimates document, was \$115.18 million. In this year's budget papers it indicates that estimated actual expenditure for these programs for 2002-03 will be \$82.245 million. Am I right? Do you agree that that is correct?

Ms Riggs—Yes.

Senator BUCKLAND—Would you agree that underexpenditure for the programs for 2002-03 will be \$32.943 million?

Ms Riggs—If that is what the arithmetic suggests I would not be in any position to disagree with you.

Senator BUCKLAND—How much of the underexpenditure will be carried forward to 2003-04? Could you tell us that?

Ms Riggs—Within this program, as set out in these documents, the bulk of the money that has not been spent in these programs this year—and that will form regional partnerships next year—is proposed to be carried forward, once the parliament has approved that, into 2003-04. The one exception to that is some \$1.8 million in Dairy Regional Assistance Program funding, which will be carried forward into 2004-05. That is because of the way that we already anticipate payments will flow based on our experience in that program to date and the length of some of the contracts that we have written, or are in the process of writing now.

Senator BUCKLAND—Thank you. When does the Weipa electrical generation compensation package commence?

Ms Riggs—It begins in 2003-04.

Senator BUCKLAND—As I understand it, the electricity for Weipa is currently supplied by Comalco.

Ms Riggs—That is my understanding.

Senator BUCKLAND—Given what you have just said, could you tell us when it is anticipated that Comalco will stop supplying electricity to Weipa?

Ms Riggs—That is not my understanding of precisely what is going to happen. As I understand it, Comalco has provided that electricity to the community, in effect, free of charge. This adjustment package provides some supplementary assistance to that community in order that it can meet charges that will now be incurred for its purchase of an electricity supply.

Senator STEPHENS—Ms Riggs, is this part of the self-management, local governance issues that you are addressing in Weipa?

Ms Riggs—I think there are a couple of issues tied up in Weipa. One is that it has been a company town to date and there is an intention to move it more into being a self-governing community rather than a company town. There are issues also tied up in the way electricity is supplied. The details of that I am not able to explain further, but my colleague, Mike Mrdak—when you get to the territories and local governments part of your examination of the estimates of the department—I think will be much better placed to assist you.

Senator STEPHENS—Although it does come into the documentation here as part of—

Mr Yuile—Yes, it is definitely part of this program.

Ms Riggs—It is part of this program. The way it will be managed also relates to the way in which the department has engagement with issues to do with local government.

Senator BUCKLAND—I wonder if we could pursue this further because, I think you could be right, we may need to go elsewhere with it. Could I just ask one or two more questions and then I will be able to establish in my own mind whether I would prefer to do that. Who will start supplying electricity to Weipa once Comalco withdraws?

Ms Key—I understand that Comalco will continue to supply the electricity to Weipa residents but the payment is to compensate the consumers for the removal of the Diesel Fuel Rebate Scheme. The estimate of the costs involved in doing that are \$2.2 million per annum. So Comalco, as it is now, will continue to provide that to a new local government entity that needs to be established. But Mr Mrdak can handle those questions further.

Senator BUCKLAND—Based on that, will the new generator of power use the same electricity plant Comalco is using now?

Ms Key—We do not have that level of detail within the regional programs division. But Mr Mrdak from territories and local government would be able to take you through some more of those issues in greater detail.

Senator BUCKLAND—It might be wise at that point to say that we will move that elsewhere. How many other towns have their energy supplied by a major local employer or local based company?

Ms Riggs—I do not know.

Senator BUCKLAND—If there are such towns having their supply of electricity from a major company or employer, would they be entitled to a similar subsidy if their town normalised and the employer no longer provided the electricity?

Ms Riggs—That would be a decision for governments at the time that such an arrangement might come to an end.

Senator BUCKLAND—The additional estimates documents indicate that the government budgeted to expend \$40.18 million in 2002-03 for the Sustainable Regions Program. The recent budget papers indicated that you now anticipate expenditure of only \$6.082 million. Is this still your best estimate for expenditure in 2002-03?

Ms Riggs—Yes.

Senator BUCKLAND—What is the reason for that fairly substantive variation?

Ms Riggs—Some of those committees came together quite late, much later than originally anticipated. Each of those committees is operating in a way which they believe best suits their style and the needs of the region that they are representing. Because of those issues to do with formation and community consultation and the development of a strategic regional plan and the calling for nominations and putting worked up proposals to the minister, this program has simply taken much longer to get to the point at which projects could flow through to the minister for approval.

Senator BUCKLAND—I see there is a variation of \$34.098 million for this program in 2002-03. I do not know if you did the sum at the same time as me.

Ms Riggs—That is the right number.

Senator BUCKLAND—Given that the expenditure of \$34.098 million is more than the budget estimate of \$26.377 million for the 2003-04 year, how much of the underexpenditure has been rolled over into the 2003-04?

Ms Riggs—None of it, but all of it has been rolled over either into 2004-05 or 2005-06. So \$29.1 million has been taken all the way forward to add an additional year to this program to 2005-06. About \$5 million of it has been taken forward to 2004-05. The reason for that is precisely the process that I have described to you. In order to develop genuinely sustainable projects that contribute strategically to regional economic development, the committees are finding that it is taking much longer than had been anticipated when this program was first developed.

Senator BUCKLAND—Would that be the reason for the Sustainable Regions Program being moved forward for its completion date from 2004-05 to 2005-06?

Ms Riggs—Yes, that is right. It has had an extra funding year added to it.

Senator BUCKLAND—But not additional money; it is the same money over a longer period.

Ms Riggs—That is correct.

Senator BUCKLAND—Has the minister, to your knowledge, made the sustainable regions committees aware of the change?

Ms Riggs—The department certainly has, Senator.

Senator BUCKLAND—Have you or the minister made the communities in these regions aware of the change to the program?

Ms Riggs—Other than the minister's media release outlining the details of the portfolio estimates, there has not been a direct communication from the department to those communities. Largely, the reason for that is that part of the underpinning philosophy for this program is that the committees are the link between the government and the communities in this regard. It will be a matter for the committees to work through with the communities the

way in which they develop a strategic regional plan and a program of projects that supports that.

Mr Yuile—I am not sure where you are going in terms of the communities but one of the things from some feedback that we were getting—and I know the ministers were getting—is that they did not want to be Canberra budget driven; they wanted to be locally driven. In fact, the extension of the extra year means that those communities are working through those projects at their own pace, as Ms Riggs said, in line with their own strategic priorities and where they believe that money can be best spent and in what time. It has actually given some flexibility that was not there before.

Senator BUCKLAND—Is there any plan to have some generic type of advice made available to committees like a standard pro forma advertisement in the paper that the department is thinking of providing?

Mr Yuile—Do you want departmental spending on communications?

Senator BUCKLAND—I am asking you if that is one way that you may be communicating to committees by providing them with a way of communicating to their communities?

Mr Yuile—I will stand corrected, but we have not presumed that, Senator. The committees are very well plugged in. The people concerned are typically involved mayors or senior local government, community leaders and business leaders. I do not think they have had any problem getting their messages out.

Senator BUCKLAND—When this program was announced by Minister John Anderson he indicated that it was a \$100.5 million program. Additional estimates documents indicate that the total funding of the program for 2001-02 up to 2002 to 2004 was \$95.373 million. Recent budget papers indicate that total funding for the program will be \$92.073 million. Could you perhaps tell the committee why the total funding for the program has dropped by a total of \$8.427 million?

Ms Riggs—In the numbers that you have quoted there is a bit of a difference between the total funding for the program, including resources for the department and the committees, as compared with project funding in the first instance. The original \$100.5 million included some \$5 million for departmental resources and for committee expenses. It was only ever going to be about \$95 million available for projects. In addition to that, the government has agreed to transfer some \$3.3 million from the program into departmental expenses for 2003-04. I believe this was canvassed in this committee on Tuesday evening.

Senator BUCKLAND—Does part of the \$8.427 million go towards paying the salaries of the 22.5 staff?

Ms Riggs—Some part of it is a contribution to the staff resources of the department in the regional programs division.

Senator BUCKLAND—Does it pay for their on-costs such as travel and travel allowance?

Ms Riggs—To the extent that the total cost of maintaining a member of staff of the department includes the costs of their doing business, then yes.

Senator BUCKLAND—Does it pay for any of the regional network?

Ms Riggs—No, it does not.

Senator BUCKLAND—Does a similar administrative fee come off other program grants? Is there an administrative cost that will come off the regional partnerships program?

Ms Riggs—The figures we have discussed here tonight in respect of regional partnerships, with the exception of that component of it that is contributed by the Dairy Regional Assistance Program, have all been the value of the project support elements of the program per se and not any of the value of the associated departmental expenses.

Senator BUCKLAND—Is that different from this \$8.427 million that is paying for—

Ms Riggs—The \$8.427 million—in the first instance the difference between \$100.5 million and \$95 million—is the cost both in part in support of departmental staff but also in support of the costs of the operations of the sustainable regions advisory committees. The \$3.3 million that has been transferred on a one-off basis to departmental expenses will in part support staff continuing in this program and in part support the capital investment in an IT system to underpin the delivery of the program.

Senator BUCKLAND—But it is not the same in the regional partnerships program?

Ms Riggs—No. As I have explained, given the ways in which the different programs that now go to form regional partnerships have grown up—and there have been different decisions taken by governments in the past—the only one of the component programs that makes a contribution from the program funding we have talked about to departmental expenses is dairy regional assistance.

Senator BUCKLAND—Is there a legal basis for an administration fee from the Sustainable Regions Program?

Ms Riggs—That is the way in which cabinet agreed to provide the resources for the program.

Senator BUCKLAND—Have the pilot sustainable regions committees been advised of the funding cut?

Ms Riggs—Each of the eight sustainable regions advisory committees were advised on budget night of the outcomes of the budget for the whole regional program suite, including sustainable regions.

Senator BUCKLAND—How were they advised?

Ms Riggs—By an email from Ms Dickman on my behalf.

Senator BUCKLAND—At recent estimates hearings the department has indicated that the sustainable regions funding and the Structural Adjustment Program for Wide Bay Burnett will be lumped together to total up to \$12 million for the region. Is that the case?

Ms Riggs—Ms Key can provide you with some detail about that.

Ms Key—The two programs still operate discretely. But the total amount of funding is up to \$12 million.

Senator BUCKLAND—If that is the case, then \$4.4 million will come from the new regional partnerships program and one of its predecessors?

Ms Key—There is only a small amount of money remaining in that \$4.4 million. I think we covered that earlier.

Ms Briggs—There will only be some \$700,000 in payments to the Wide Bay Burnett projects in 2003-04 from the package that will, from then, be called the regional partnerships package.

Senator BUCKLAND—Will an amount of about \$7.6 million come from the sustainable regions funding?

Ms Key—They have had public announcements of a figure of up to \$8 million. It will be up to the committee to put forward projects to that value over the life of the program.

Senator BUCKLAND—Is it correct that Gippsland has been promised up to \$12 million from the Sustainable Regions Program?

Ms Key—Yes.

Senator BUCKLAND—And the north-west and west coast of Tasmania have been promised up to that same amount of \$12 million?

Ms Key—That is correct, yes.

Senator BUCKLAND—Is it right that the far north-east of New South Wales has been promised the same amount from the same program?

Ms Key—Up to \$12 million; that is right.

Senator BUCKLAND—And the same applies for Campbelltown Camden?

Ms Key—Up to \$12 million, yes.

Senator BUCKLAND—And the Kimberley?

Ms Key—That is right.

Senator BUCKLAND—It is nice to see that my state gets a mention here. Is it true that the Playford and Salisbury region has been promised up to \$12 million also?

Ms Key—That is correct, yes.

Senator BUCKLAND—And Atherton Tableland has been promised up to \$18 million?

Ms Key—That is correct

Senator BUCKLAND—Therefore, up to \$98 million has been promised for the Sustainable Regions Program. Which regions will get less than their promised allocations?

Ms Riggs—That will depend entirely on the way in which committees propose projects to the minister for approval over the life of the program, consistent with their strategic directions.

Senator BUCKLAND—Based on that and given that some regions have already spent some money whilst others have not, will the final allocation be determined by which region is quickest to spend up to their full allocation?

Ms Riggs—This program has another three years to run. It is not possible for us to speculate on what the final expenditure in any particular region will be at this stage.

Senator BUCKLAND—We would have to go back to my crystal ball again and try to look into that to say that you were incorrect. I agree with that. So what guidelines by the department are in place to prevent that very thing happening—the first off the starting block getting the most money?

Mr Yuile—We do not have such guidelines. The allocations have been made by the government. The committees are working to those allocations. If, for some reason in the future, there is a problem or an issue, ministers will need to address that at the time. The critical issue, as Ms Riggs has said, is not only the philosophy underlying this and the new way of doing business but also trying to make this a strategic program and leverage as much as possible. That is why it was called sustainable regions—in particular, to address strategic forward looking sorts of projects that were going to make a real difference in communities. There are some very significant projects which the regional committees are looking at. They are looking to cocktail funding, be it with the private sector or other levels of government.

That is what this government has indicated its driving concern is, which is to maximise the use of that money for the benefit of those regions. We have already found, on the basis of our own evaluation of our programs which led to the regional partnerships, that we were leveraging something like a three to one outcome on our dollars. That is what we want to build on in the Sustainable Regions Program.

Senator BUCKLAND—Have any of the pilot regions, if you like, that we have been through been given an allocation from the \$92.073 million that is now available in the program?

Ms Riggs—No. Each of the regions has been advised that the total value of projects that might be supported will be up to the dollar values that Ms Key has already agreed with you in respect of each of those eight pilot regions.

Senator BUCKLAND—Have those regions been advised of their new allocations?

Ms Riggs—There are not new allocations. The maximum value of projects is still as has been advised.

Senator BUCKLAND—In the recent budget papers, additional recurrent and capital funding is being provided to assist the department to maintain its network of regional offices. What specifically is this money for?

Ms Riggs—The capital money is the cost of fitout of the offices and the IT installation of offices, some of which we have completed this year and some of which still flows into next year as a result of the network having been transferred some 16 months ago now from the then Department of Employment, Workplace Relations and Small Business to this department. That is a once-off additional allocation in 2003-04. The additional recurrent funding that has been provided in 2003-04 and into the forward estimates period is in recognition of the fact that it takes a little more in terms of the underpinning IT and office infrastructure to run a distributed network than this department had previously experienced because it did not have the same distribution of regional offices in the past.

Senator BUCKLAND—At previous estimates you have indicated that the department has about 53 regional staff. Is that still the case?

Ms Riggs—There might be slightly more on the payroll in terms of staff at the moment. The current figure I have is 57.

Senator BUCKLAND—Are they full-time positions or full-time equivalents?

Ms Riggs—The number of full-time equivalents is 55.

Senator BUCKLAND—Could you give us an indication of how many there might be after the regionalisation of regional programs?

Ms Riggs—Perhaps it would help me to answer that question if I could understand what you mean by regionalisation.

Senator BUCKLAND—I understand there is a program to regionalise some of these programs—that is, have the programs out in the regions.

Ms Riggs—A number of our programs are already in some measure managed through our regional office staff. It is our intention that regional partnerships be managed through that mechanism very similarly, for example, to the Regional Assistance Program at the moment or the Dairy Regional Assistance Program. Given that there will be more funding available for regional partnerships as a total package than there has been for the sum of Dairy RAP and RAP, it would probably be appropriate that we increase the numbers of staff in the regional

offices. But at this stage it is not our intention to have a wholesale recruitment exercise to do that.

Senator BUCKLAND—Given what was said earlier this week regarding the restructure of the department, is it likely that some of those people who could be affected, being the 13th bird, if you like, on the 12-bird branch, would be offered redeployment in the regional area? Is that something you have considered?

Ms Riggs—There are a small number of positions in regional offices that are substantively vacant—that is, they do not have an officer at the level currently occupying them, although there may be someone on ARA. It is our intention to work through a process of regularising those ARA arrangements. If an officer from the national office of the department were to indicate that they were interested in moving at their substantive level to one of those vacancies then, consistent with the practices outlined in the department's certified agreement and the normal process of merit, particularly if there were more than one, they would certainly be considered for placement in those positions.

Senator BUCKLAND—That is comforting, let me say. At previous estimates you have indicated where these staff that we are talking about in the regions were located. Could you give me an update as to where they are now located and how many staff are at each location?

Ms Riggs—Yes, I can do that. There are seven staff in Brisbane, 6.6 full-time equivalents. There are five in Townsville; one in Longreach; two in Darwin; six in Perth; five in Adelaide; three in Hobart; four in Bendigo for a full-time equivalent of 3.6; eight in Melbourne; six in Newcastle, with full-time equivalents being 5.5; the same in Wollongong; and there are four staff in our regional office in Orange.

Mr Yuile—Just to be clear, those numbers that Ms Riggs has run through are staff connected with the delivery of our regional programs. There are staff of the department who are involved in other activities of the department also located in the regions. For example, there are aviation security staff, staff attached to the Australian Transport Safety Bureau and staff who are involved with the territories and local government division.

Senator BUCKLAND—I think that distinction has been made before, Mr Yuile. I was aware of that. Thank you for that.

Senator STEPHENS—Is the one person at Longreach co-located with some other service, another Commonwealth office or something like that?

Mr Yuile—No, he is not. He is located, as I understand it, currently in the local shire chambers. He was what was called, and still is, a remote community liaison officer. He has a laptop, a four-wheel drive and a satellite phone. He is very well connected in that community and the communities of the western region, which he services.

Senator BUCKLAND—What is the department's estimated recurrent cost of the existing regional staff?

Ms Riggs—I will take that on notice.

Senator BUCKLAND—You may need to take this on notice also, I would think. What is the department's estimated capital cost of the existing regional staff?

Ms Briggs—Are you referring to accommodation costs?

Senator BUCKLAND—Yes.

Ms Briggs—We will take that on notice, if we may.

Senator BUCKLAND—Could you also provide on notice the estimated recurrent cost of regional staff after the regionalisation of the regional programs. We have heard that you are

going to regionalise and put more in the regions. I understand that is what the department is going to do.

Mr Yuile—No. I do not think that is what Ms Riggs said. We inherited in the machinery of government changes from the Department of Employment, Workplace Relations and Small Business, as it was then, staff who were involved with the delivery of the ACC program and the ACC and the RAP and Dairy RAP programs. That network of regional staff is a network who are now going to be involved in the delivery of this broader Regional Partnerships Program. I think Ms Riggs said there are substantive positions that need to be filled. If it were possible, there could be some increases in some areas if we had the resources, but I do not think she indicated that was going to happen. Regionalisation is a bit of a misleading term, I think.

Senator BUCKLAND—Yes, I understand that. I have a final question on this. I think Senator Stephens had another line of questioning. The department's estimated cost for the staff member at Longreach—you now have two at Longreach?

Ms Riggs—One at Longreach.

Senator BUCKLAND—Yes, for the 2002-03 financial year.

Ms Riggs—I have not brought with me numbers at that level of detail. We will take it on notice.

Senator BUCKLAND—That concludes that section. Thank you.

Senator STEPHENS—I would like to drill down into some of the programs and packages, if I may. I will start with the Wide Bay Burnett Structural Adjustment Package. I presume this relates to Ms Key. I have made some notes about some of the projects that you mentioned earlier that did not get off the drawing board. Can I just check: you said the Cooloola Agricultural Centre trust did not get funded?

Ms Key—It did actually get funded, but it has been very slow to progress because of the impact of the drought. So we have only made an initial payment of \$20,000 on that project so far.

Senator STEPHENS—So there is an outstanding \$530,000?

Ms Key—That is correct.

Senator STEPHENS—You do not anticipate that being paid in this financial year?

Ms Key—Not in this financial year, as far as I understand.

Senator STEPHENS—Then the Farm Fresh Fine Foods? Is that the second one you mentioned?

Ms Key—No. That one has actually been very successful. I visited that one recently and it is going very well. It was the Hervey Bay Thrill Seekers.

Senator STEPHENS—I have that one. But there was a third one you mentioned, wasn't there?

Ms Key—I think those two in particular were the ones I used as an illustration.

Senator STEPHENS—Can we just have a look on this list. What about the Neptune's Reefworld project? Your suggestion last time we spoke was that it was anticipated that that project would create 19 jobs in the first year, 23 in the second, 25 in the third, 26 in the fourth and 27 in the fifth. In reply to a question asked at the last hearing and taken on notice, you said there would be 19 full time and 18 in construction.

Ms Key—In construction, that is correct, yes.

Senator STEPHENS—Can you explain why there has been such a difference?

Ms Key—I do not have that information with me. I will take that on notice and provide you with an answer.

Senator STEPHENS—It is a significant difference, isn't it, in terms of anticipated jobs?

Ms Key—It is, yes. I will have a look and provide you with a response.

Senator STEPHENS—Okay. Similarly, you suggested in February that TSG Pacific would create 32 direct full-time jobs and 42 indirect positions, but then in reply to the question at the last hearing you suggested 10 full time and 11 part time. So there is a significant difference in terms of employment outcomes for that as well.

Ms Key—I do not have the *Hansard* with me regarding those hearings, so I am not sure.

Senator STEPHENS—I will just mark the concerns I have about projected and real outcomes. That would be good. The Fraser Coast pack house project is another where there is significant disparity in the number of projected jobs and actual jobs that you have indicated have been created. You actually prepared a table for us for the last one.

Ms Key—That is correct, yes.

Senator STEPHENS—It would be useful if you could actually update that table. That would help a lot. In updating the table, you could indicate how much of the \$4.4 million has actually been expended so that we are up to date with how successful that whole structural adjustment package has been.

Ms Key—Certainly.

Senator STEPHENS—You might be able to include any anticipated expenditure from the program for 2003-04 and 2004-05 to show where funds were committed and when they are most likely to be spent.

Ms Key—In a table format?

Senator STEPHENS—Yes. That would be great, thanks. Going, then, to the Sustainable Regions Program, one that you know is dear to my heart, each of the regions was going to get \$12 million under the original program, with the Atherton Tablelands getting \$18 million.

Ms Key—Up to.

Senator STEPHENS—Okay. When you provided the table in January as a result of my questions, the table showed that there were 37 projects expected to incur an expenditure of \$9.122 million, of which expenditure in 2002-03 was expected to be \$5.796 million. It would be helpful if you could update that table as well in terms of expenditure—that is, this table about—

Ms Key—There are currently 57 approved projects. We are still expecting that \$6.09 million expenditure in this financial year .

Senator STEPHENS—Can you just remind me what your process is for paying out these funds. Is it a staged process, or are there performance indicators?

Ms Key—Very much so. It is all contractually based on milestone achievement. It is performance based, of course.

Senator STEPHENS—What happens? If you do not reach the milestone, you do not get paid for the next part?

Ms Key—That is correct. We would, of course, approach a proponent and track their progress before that milestone payment is due. If that is not achieved, then it is deferred until

it is achieved, or perhaps we can work with our executive officers in the sustainable regions committees to help them along.

Senator STEPHENS—You mentioned the project where the group had gone into liquidation. Have they received any funding at all in that project?

Ms Key—I cannot remember the proponent there. Was that in Sustainable Regions?

Senator STEPHENS—It might have been the earlier one.

Ms Key—I think it is the south-west forests proponent that we mentioned earlier that had gone into voluntary administration. So we did not progress with that one, of course.

Senator STEPHENS—In terms of where things are at, what about the Salisbury Playford region? When can we expect the announcement of projects there?

Ms Key—They have recently put forward a number of suggestions to the minister for his consideration, so we are expecting that very shortly.

Senator STEPHENS—They are real-life project proposals as opposed to ideas? They have actually been worked up?

Ms Key—They have. I think we talked about them last time in terms of their taking a very strategic approach to the development of their region. These are now the output of that consideration, yes.

Senator STEPHENS—So that will be happening soon?

Ms Key—Very soon, yes.

Senator STEPHENS—What about the Kimberleys?

Ms Key—The Kimberleys had several project announcements this year. Yes, they are well on track, I think.

Senator STEPHENS—I know I have referred several times today to the fact that both Senator Buckland and I have been involved in the skills inquiry and have been doing a lot of work in the regions. We have had lots of information about locally managed projects. What I am interested in knowing is whether or not, given that the Sustainable Regions Program does seem to have a variety of administration models—we talked about this last time in terms of the small committee at Camden Campbelltown and a larger committee at Atherton—

Ms Key—There is a larger committee in Kimberley, actually. Atherton is still quite small.

Senator STEPHENS—Is it?

Ms Key—The Kimberley has the largest membership at the moment, I think.

Senator STEPHENS—You were thinking about that and whether or not it made a difference or whether there were any insights that you could shed on regional governance models, I suppose. Do you have any other comments to make about the size of the committee and its representation and whether or not that is effectively linking the community projects? Does, for example, the size of the committee have any impact on how quickly projects are coming up? Have you given any thought to that?

Ms Riggs—In response to that, it is fair to point out that we are about to embark on stage 1 of an evaluation of the Sustainable Regions Program. Indeed, it is in the nature of a post-implementation review. As part of that, we are seeking the views of committee members about an array of issues to do with the operation of the committee. Perhaps it would be fairer if we resumed a conversation about that once we have completed that post-implementation review and had some feedback from committee members themselves about that which might inform that sort of question.

Senator STEPHENS—You are about to embark on that. When do you think it will be completed?

Ms Riggs—We hope that we would be able to draw out the kind of lessons from that by about August.

Senator STEPHENS—In framing that evaluation strategy, are you including consultation with people beyond the committee to the communities about whether or not the committee structure was effective and connected to the communities?

Ms Riggs—I will correct myself if I am proven to be wrong, but my recollection of that process—I have not brought the detail with me—is that in our first stage, this post-implementation review stage, we are largely focusing on the committees, our own staff and the executive officers separately from the committee members themselves. We are not embarking on a large-scale or even a small-scale community consultation process as part of this stage of the evaluation in large measure because, as we have already discussed, this program has taken longer to get to the point where it is actually getting projects up and approved and into the communities. It would be more appropriate to have some sense of measuring the impact of the program on communities further down the track.

Senator STEPHENS—I know that the Sustainable Regions Program is reasonably new in the sense that it has not long been operating. Have you had a turnover of executive officers at all?

Ms Riggs—I think not. Again, we will correct the record if we are wrong.

Senator STEPHENS—It was an issue that was raised with us in our travelling around, the burn-out of those single professionals working in that area. I just wondered whether or not it was something you had experienced as well.

CHAIR—We will have a break and resume in 15 minutes.

Proceedings suspended from 9.01 p.m. to 9.17 p.m.

Senator BUCKLAND—Ms Riggs, in the last section we dealt with before the break, Senator Stephens was asking some questions about sustainable regions. I missed it and I did not pick it up but there was a list I wanted you to provide. As a result of the estimates in November 2002, you provided us with a table of sustainable region projects. Are we getting a new table? Have you have undertaken to provide a table of all those projects for us?

Ms Riggs—I believe we have agreed to update the information that we last provided about the progress of that program, yes.

Senator BUCKLAND—That will include the expenditure for each project?

Ms Riggs—It will include the budget for each project.

Senator BUCKLAND—And any expenditure to date?

Ms Riggs—That would be additional to that which we provided in the past, so that it would be an extension rather than just a straight update of the table.

Senator BUCKLAND—If you could, I would appreciate that. I am sorry if I thought it had been missed. Thank you.

Senator O'BRIEN—Are the officers present who can answer questions regarding the Weipa structural adjustment package? He has just answered the phone. That is what I thought.

Ms Riggs—That is exactly right.

Mr Yuile—He is aware that you want to ask questions.

Senator O'BRIEN—Here he is. The budget joint media release that was referred to earlier also mentions the Weipa structural adjustment package. Is this the Weipa electricity generation compensation package referred to on page 70 of the budget papers ?

Mr Mrdak—Yes, it is.

Senator O'BRIEN—Will any of that money be expended or any money not mentioned in the budget papers be expended in this program this financial year?

Mr Mrdak—No. The program will commence in 2003-04. The program is part of a move towards normalisation to assist the community of Weipa to establish a local government type arrangement which they do not have at the moment. It is really the government putting funding forward to facilitate and remove one of the perceived impediments to that occurring, which is the future ownership and operation of the electricity assets in Weipa.

Senator O'BRIEN—The total revised budget for these programs—

Senator STEPHENS—Just before you do that, there is not any information anywhere else except in that one reference to the Weipa generation project. Am I to understand from what you just said that Comalco has sold the generator? Is that what you are saying?

Mr Mrdak—No, Senator. Perhaps I can give a bit of context to it. There has been a longstanding desire by some in the Weipa community to form a more normal community arrangement through having their own local government. At the moment, the town is essentially a mining operation in terms of the infrastructure, and everything is provided by Comalco. Rate equivalents and the like are paid to Comalco by the occupants of the town.

There is a town committee that is seeking to form a normal local government council type arrangement and they have been working through what are some of the issues in moving down that way. There is a Queensland piece of legislation that establishes the Comalco operation. What that provides for is that, at a point in time, Comalco can request of the Queensland government that a normal local government type structure be formed. It would become the responsibility of the Queensland government to form that and operate it as a local council. But one of the impediments that was identified during this process, which has been going on for several years, has been what would be the impact if Comalco transferred the electricity generation operation to the town council, which has happened in some other remote communities in Australia.

One of the things identified was the fact that Comalco operates that electricity generation with the benefit of the Diesel Fuel Rebate Scheme which, if it transferred electricity generation to the to-be-established local council, would not be available to the council. The Commonwealth funding was designed to remove that impediment so that, should Comalco and the community proceed to form a local government in Weipa, this funding would be made available to that council, if it took on electricity generation, to enable them to offset the additional cost which would be incurred by no longer having access to the Diesel Fuel Rebate Scheme.

Senator STEPHENS—So you are saying if that happened?

Mr Mrdak—That is correct. There are a number of other issues besides the electricity generation issue that have to be worked through. A number of other assets like water, sewerage and other things would have to be established with Comalco, and this is just one of the areas that was identified early on as a potential impediment. The Commonwealth fund is designed to remove that. But there are other issues that have to be worked through,

particularly with the Queensland government, in terms of forming a local government under the Queensland processes and then working through the various other infrastructure and other asset issues in the town.

Senator STEPHENS—Seeing that it has emerged in this budget document, are you anticipating that the first of the four years will be in this coming financial year?

Mr Mrdak—Provision has been made for this coming financial year. This is really to enable the discussions and process to commence in earnest between Comalco, the town committee and the Queensland government. I am not sure how much of this money will be committed this coming financial year. That will really be dependent on the status of how those negotiations go on the formation of the council and the like.

Senator STEPHENS—If it proceeded, does this substantial figure represent the fact that the local government would purchase the generator from Comalco?

Mr Mrdak—Not necessarily. That is the sort of thing that has to be established as to whether Comalco would transfer the electricity generation facility over to the council at a cost. This is really to support the operations of that electricity facility if that transfer took place and the diesel fuel rebate was no longer available to the council to operate the facility. This is completely separate from any capital transfer cost which might be involved or if Comalco simply transferred that at no cost to the council. We are really just focusing here on the operating cost of supplying electricity to the town in the absence of the diesel fuel rebate.

Senator STEPHENS—So if there was a capital cost involved, where would that capital come from?

Mr Mrdak—That would be something that has to be negotiated between Comalco and the community. I do not think discussions have advanced that far as yet. There is also a range of other issues that I am aware of, such as the age of the infrastructure, when it needs to be replaced and whether it is the right type of infrastructure for that type of community, because it is built around Comalco's mining operations rather than serving a community like the town of Weipa. So all those things have to be worked through, and I think those things are yet to be settled. My understanding is this funding is really to remove an impediment which was there to those discussions taking place in earnest.

Senator STEPHENS—And you mentioned there were other communities where a major employer could be the provider of infrastructure like electricity. Can you give us an example of similar kinds of communities?

Mr Mrdak—Sorry, I was referring to more remote communities. I know there are some in Western Australia where the local government provides electricity services in the absence of a major supplier, and that is provided through gen sets and the like similar to this type of operation. I was not really talking about major mining companies providing electricity as such to communities; it was more about where local communities operate their own electricity services. That is not unique for remote areas.

Senator STEPHENS—So is this part of the Cape York partnership approach or anything like that?

Mr Mrdak—Not that I am aware of. This is a new initiative to support a particular community initiative in Weipa.

Senator STEPHENS—Thank you very much.

Senator O'BRIEN—Which is all well and good. There is money for it in the out-years so there is a four-year program. I assume that the program is predicated on Comalco remaining as a presence in the town?

Mr Mrdak—That is my understanding. I do not think there is any suggestion that that is not going to occur.

Senator O'BRIEN—Will Comalco cease to draw part of their diesel fuel rebate subsidy as a result of this package?

Mr Mrdak—That is my understanding, if that eventuates and such a split of responsibilities took place. But, as I say, this is relatively new for our portfolio, so I have not been familiar with the discussions that have taken place to date. One of the things we are undertaking at the moment is that we are seeking to have discussions with Comalco and the town community about where they have got to thus far. Since the budget we have been trying to establish those lines of communication with the various parties.

Senator O'BRIEN—Is some of this money transferred from another portfolio? I am thinking that if Comalco is currently claiming moneys on the diesel fuel rebate and this is effectively going to replace that charge on the budget, has there been some transfer of funds from another portfolio?

Mr Mrdak—Not that I am aware of. My understanding is this is new program funding.

Senator O'BRIEN—Can you get for us, unless you have it now, details of energy produced in Weipa, how much will be purchased by Comalco and how many other electricity users there are in Weipa?

Mr Mrdak—Yes, I will take that on notice, if I may. I will need to talk to Comalco and get that information for you.

Senator O'BRIEN—Presumably, Comalco claimed diesel fuel rebate for operating vehicles and other machinery as well as power generation?

Mr Mrdak—I would presume so, yes, Senator.

Senator O'BRIEN—Is there any way you could determine how much diesel they used for power generation this year?

Mr Mrdak—I would imagine they would keep separate records for the power generation vis-à-vis other uses. I will put that to them.

Senator O'BRIEN—Okay. What representations were made to the department to consider this package?

Mr Mrdak—It has not been something that has been dealt with through our department. This was a government decision and, during the budget process, responsibility for implementation of the decision was transferred to this portfolio.

Senator O'BRIEN—From where?

Mr Mrdak—From the government. It has been given to us as a local government and regional program to be delivered.

Senator O'BRIEN—This sets a bit of a precedent. What other remote localities are in a similar situation such that they may seek to attract an exemption for hospitality and tourism enterprises?

Mr Mrdak—I am not familiar with any other communities in a similar position. As I say, my understanding is there has been a long process of trying to form a local government arrangement for Weipa, and this announcement by the government is an attempt to remove one of the obstacles that was identified to that. But I am not aware of similar situations elsewhere.

Senator O'BRIEN—I take it this is only available while Comalco participates?

Mr Mrdak—Certainly it involves early on quite detailed involvement by Comalco while the arrangements are established. If the model is that the local government, if and when established, operates the electricity system or some form of that in its own right, then it may not involve Comalco. But until I have more detailed discussions with Comalco and the community, I am not in a position to really understand just what Comalco's long-term involvement may or may not be.

Senator O'BRIEN—I have some more questions in relation to the Dairy Regional Assistance Program. This is the program funded by the 11c tax on every litre of domestic milk. A few hundred readers of the *Daily Telegraph* recently saw a photograph of a paddock in Beaudesert, Queensland. It was a photograph of a site for a proposed international standard polocrosse field, and that field has been the beneficiary of \$220,000 in Dairy RAP grant funds but it does not seem to have developed much. Can someone tell me what has happened with that project?

Dr Dobes—I have not been out there myself so I cannot tell you exactly what has been happening there. All I can tell you is that it is something which was funded for the amount that you have mentioned, \$220,000. It is envisaged that the centre would be utilised for activities including polocrosse, camp drafting, rodeo, dressage events, pony club activities and so on, and in particular there would be activities designed for riding by the disabled. The project will, according to our information, provide the community with some alternative income sources as well as creating tourism opportunities. That is the way we see the program.

Senator O'BRIEN—Has the \$220,000 been paid over?

Dr Dobes—I would assume that at least some of that had been paid but I do not have information on whether the payments have been finalised. That was one of the early projects—

Senator O'BRIEN—I thought it was. It was one of the early rounds.

Dr Dobes—Yes, it was. I have here that it was round 2.

Senator O'BRIEN—What was the date of the announcement of the project?

Dr Dobes—I really do not have much information here. You are obviously after some more information, so I can get that for you on notice.

Senator O'BRIEN—I understand that the proponent of the project was the Beaudesert Equestrian Association. There are signs on the fence near the gate in the photograph that I have seen in the Prime Minister's favourite paper. Do you know how many members the Beaudesert Equestrian Association had at the time of the application or can you find that out?

Dr Dobes—I can get that for you. That will all presumably be on the original application. I will have to look it up on the file.

Senator O'BRIEN—Have there been any progress reports from that association about the funding?

Dr Dobes—I have a very short summary here in front of me. If you were to give me those questions, we can easily get you that information.

Senator O'BRIEN—I would like to find out how many members the association has now and whether their membership is a social membership or a playing membership. I would like to know who owns the land concerned, how many site visits have taken place, and when, and whether any action has resulted from those site visits.

Ms Riggs—Senator, we will take on notice those questions which it is possible for us to answer. But with respect to questions relating to the membership and nature of that

membership of the organisation you have made reference to, we would have to ask that organisation if they would be willing to provide that.

Senator O'BRIEN—You mean that we are giving them \$220,000 and we do not know that much about the organisation?

Ms Riggs—If we do not have that information as part of the application, we may well have to seek that information.

Senator O'BRIEN—I understand that you may have to do so, but I would be surprised if that detail is not available. Presumably, the Commonwealth would know whether this was an organisation of substance or not in granting them \$220,000.

Ms Riggs—I am sure that an appropriate due diligence examination of the organisation was undertaken. If that has in it the information you sought, then we will be able to provide it directly. If not, we will have to ask the organisation whether they are prepared to give us that information.

Senator O'BRIEN—Not much to ask for \$220,000, is it? Could you tell us, on notice obviously, what grant moneys have been made and when those moneys were paid. What role, if any, does Mr Terry McKinnon have in relation to the project? I ask that because in the *Weekend Australian* of 5 May 2001 he is quoted as saying:

Every dollar that the government has given us, we can turn into three and it is all going back into the community.

The report says that by May 2001 the project had already generated work for a local fencing contractor and four previously unemployed people. Can we be provided with an update of the employment generation associated with the project by year since the grant was announced? Can we be advised how that employment generation compares with the estimated employment generation in the proponent's Dairy RAP application?

I am advised that the Beaudesert and Warwick polocrosse clubs are in the same competition zone, Queensland south-east zone. I ask that because Morgan Park at Warwick recently hosted the Polocrosse World Cup for 2003, which is described as the most prestigious polocrosse event ever held. I understand that polocrosse field is about an hour's drive from Beaudesert. It has seven fully turfed and irrigated playing fields, a fully lit playing field for night competition, an enclosed broadcast room, permanent accommodation for 300 horses, an enclosed clubhouse overlooking the playing field and a full-time groundskeeper. In 1998, it hosted the national championships and I understand it is the official state equestrian centre. The reason I set that out was to ask: was the department aware of the Morgan Park polocrosse field when it granted \$220,000 to the Beaudesert polocrosse project?

Dr Dobes—We will take that on notice. As you said a minute ago, that was a round 2 project going back a few years. There is no-one here tonight that can give you any information on that.

Senator O'BRIEN—Can you assure me that there is someone still with the department who knows about this project?

Dr Dobes—I cannot give you that assurance until I find out who the case officer was.

Senator O'BRIEN—Would it have been a project managed by the Department of Employment, Workplace Relations and Small Business?

Ms Riggs—Given that it was initiated as a round 2 project, the answer to that is yes.

Senator O'BRIEN—I am not very hopeful then. Presumably all their files have come to this department in relation to these projects?

Dr Dobes—I would expect so. We have found that the files have been fairly easy to find in other projects, so I would expect that that would apply here as well.

Senator O'BRIEN—I am not a polocrosse expert but I have been wondering how many international polocrosse championship fields south-east Queensland might need. In relation to the economic development aspect of the project, won't the Beaudesert field need to attract events from the Morgan Park facility to prosper? I do not see how the region will derive any net gain from the grant. Could you enlighten me on that? This is \$220,000 to be spent on what appears from the photograph to be a field that has been fenced, there is an eight by six shed on it and a sign on the gate. I cannot see much else in the photograph.

Dr Dobes—Senator, I really do not have any other information here tonight to give you an accurate and good answer. I need to go back and have a look at the record.

Senator O'BRIEN—I am happy for you to do that. I understand the difficulty you may be in, if this is a Department of Employment, Workplace Relations and Small Business project. When this program transferred across, would the staff have come with it—potentially at least?

Ms Riggs—As I think I have explained to you in another committee, the then Department of Employment, Workplace Relations and Small Business transferred staff resources equivalent to the full-time equivalent number that they estimated were working on the program. That meant that some staff who were knowledgeable about the program and its operations were transferred, but it does not mean that every staff member who was a case manager for a particular project was transferred. As Dr Dobes has already said, we would have to find out whether or not there is someone still in the department—now in DOTARS—who was knowledgeable about this project at the time of its inception and through the period of that transfer.

Senator Troeth—Senator O'Brien, could I just ask you to run through again the list of facilities that you mentioned at the time that the project was going to provide?

Senator O'BRIEN—I was talking about the Morgan Park facility: seven fully turfed and irrigated playing fields, a fully lit playing field for night competition, an enclosed broadcast room, permanent accommodation for 300 horses, an enclosed clubhouse overlooking the playing field and a full-time groundskeeper.

Senator Troeth—I thought you mentioned a facility for riding for the disabled in a question that you asked?

Senator O'BRIEN—No, I did not mention that.

Senator Troeth—I think you did.

Senator O'BRIEN—I think that was in answer to a question.

Senator Troeth—No, I am sure I remember you saying it—possibly I am wrong. But I would just like to point out that, in money we have given for other projects, a sling for riding for the disabled to enable a disabled person to be mounted on a horse and ride around in an enclosure costs \$30,000. So at least—

Senator O'BRIEN—Sorry, what was that?

Senator Troeth—The Commonwealth government in other programs has put forward money for a gantry that has a sling on it for disabled riders to be swung onto horses rather than volunteers doing it. I remember quite well from my visit to a facility outside Melbourne that one of those slings costs at least \$30,000. If that was part of the provision of the money in

one of the projects that you spoke about, that would at least account for some of the money and would bring a great deal of benefit to the local community.

Senator O'BRIEN—I think Dr Dobes may have mentioned that in one of his answers from his brief.

Dr Dobes—I did refer to provision of disabled facilities, Senator, yes.

Senator Troeth—I am just saying that if there were provision of that sort of facility, \$220,000 would not go far.

Senator O'BRIEN—Dr Dobes, can you read what the \$220,000 was supposed to pay for from your notes?

Dr Dobes—We will do that for you, Senator, as we have undertaken.

Senator O'BRIEN—I think that was one of the aspects of the project.

Senator Troeth—One of the aspects.

Senator O'BRIEN—But substantially the project is the funding for the Beaudesert Equestrian Association. The *Daily Telegraph* article has a picture which shows a field which it describes as a polocrosse field. I am happy for you to see that.

Senator Troeth—You are aware that polocrosse is a separate sport from polo?

Senator O'BRIEN—Yes.

Senator Troeth—Good.

Senator O'BRIEN—They have a little thing on the end of a stick where they catch the ball rather than hitting it along the ground.

Senator Troeth—You will find that it is a different sport.

Senator O'BRIEN—Yes, it is. I have seen it. I hope the ponies they use are not as expensive as the ones they use for polo.

Senator Troeth—I think you will find they are not.

Senator O'BRIEN—I am glad. One would hope that people who ride them are not as big as some of the people who ride the polo ponies—certainly not as big as I am. Another project that I wanted to touch on was the wine appreciation project at the Ipswich Grammar School. I want to find out how that is going. How do you join?

Dr Dobes—I am not sure of that one, Senator, either. I do not have any details of it here that I can see. Could you perhaps enlighten me and give me details because if it is anything which is going back into last year or earlier, I just would not have any knowledge of it. I just cannot answer you here and I would need to look that up.

Senator O'BRIEN—Let me see what I can find.

Dr Dobes—If I may just add to that: one of our officers has just drawn my attention to the fact that we do have some information here. It is, again, a project going back to 2000-01 and it is in south-east Queensland—Ipswich—as you said. The project was intended to support the development of the local wine industry by increasing awareness of Ipswich and surrounding regions as a quality wine and tourism destination. So that was basically where that was.

Senator O'BRIEN—Were any site visits undertaken?

Dr Dobes—I do not have that information here. That is very detailed information which I do not have.

Mr Yuile—Site visits by whom?

Senator O'BRIEN—By officers of the previous department, I guess. When and what did they do when they visited the wine appreciation course.

Mr Yuile—One can speculate.

Senator O'BRIEN—I understand it was the school's centenary building fund that received that grant—you may or may not have the information—and that the grant was for \$55,000.

Dr Dobes—That is right. I have the information here that it was for \$55,000.

Senator O'BRIEN—Do you know how that funding was acquitted?

Dr Dobes—I really do not. That is something I will have to look on the file for.

Senator O'BRIEN—One could speculate. The final round of the Dairy Regional Assistance Program has been announced, as I understand it?

Dr Dobes—Yes, it has.

Senator O'BRIEN—When did that happen?

Dr Dobes—I do not have the exact date in front of me, but it was about two or three weeks ago. The Tuesday after Easter, I am informed.

Senator O'BRIEN—According to a report in the *Gympie Times* on 7 May, 14 submissions were made on behalf of Cooloola businesses and individuals in the latest round and they were all rejected. How many grants for the Cooloola region were successful?

Dr Dobes—In this last round?

Senator O'BRIEN—Yes.

Dr Dobes—The notes that I have here are that there was one out-of-round so-called project that was successful in Cooloola in that area.

Senator O'BRIEN—Out of round?

Dr Dobes—That was sort of in between—

Senator O'BRIEN—Is that before or after?

Dr Dobes—Just before, I think. Not during round 9—there were no successful ones from Cooloola.

Senator O'BRIEN—Is that the Nolan Meats project you are talking about, the out-of-round project?

Dr Dobes—No, I do not think it was that one. I am not sure but it was not that.

Senator O'BRIEN—If you can get me details of the out-of-round grant, I would appreciate it. There has been a call by the Cooloola shire mayor, Councillor Nick Venardos, for an inquiry into DRAP funding. How has the department responded to that call?

Dr Dobes—As you know, there have been a lot of calls in a lot of newspapers recently. It is not usually the practice of the department to respond to newspaper articles which make various claims.

Senator O'BRIEN—So you are aware of the call but it is just one of many that you are not responding to.

Senator Troeth—I hardly think that is a fair comment to put to the officer.

Senator O'BRIEN—I would have thought it was exactly what I was just told.

Senator Troeth—I think the word 'many' was not used by the officer.

Senator O'BRIEN—Perhaps I misheard it but the *Hansard* will show what was said.

Senator Troeth—Indeed.

Senator O'BRIEN—I turn to a letter that appeared in the *Dungog Chronicle* on 14 May this year. The letter said that the 'Northern Hunter Winery had made two applications' to what the writer called 'the dairy RAP lottery'. Does it concern the department that some businesses think that the application assessment process for this expensive program can be accurately characterised as a 'lottery'?

Dr Dobes—I cannot speak for the department as a whole. Obviously that would be of concern to anyone, but the issue is whether it is true or not. I do not think I would really wish to comment on that.

Mr Yuile—Senator, we obviously cannot control the way in which a journalist chooses to write up a project or a report of a particular individual. But we can be concerned—

Senator O'BRIEN—This one is a letter, not a journalist's article.

Mr Yuile—Equally, the same applies. We obviously cannot be responsible for the way an individual might choose to characterise the program. What we are responsible for is ensuring that our processes and procedures are as rigorous and clear as possible.

Senator O'BRIEN—Did you say 'as rigorous as possible'?

Mr Yuile—Yes.

Senator O'BRIEN—Are you including the period when the Department of Employment, Workplace Relations and Small Business managed the program?

Mr Yuile—I am talking about the responsibilities that we have at the moment in this department. I would not want to comment on the way—

Senator O'BRIEN—I would have thought that you would have come across this letter. It comes from the department's media monitoring clipping service. The letter says:

The writer received two rude and abusive phone calls from public servants in charge of the program.

Given it is published this month and it is about this department, can you tell me what action has been taken to investigate those allegations?

Mr Yuile—I am not aware of the letter. I obviously missed it in the clips. Maybe Ms Riggs or Dr Dobes have some background.

Dr Dobes—Thanks, Mr Yuile. Senator, I do not really have enough background but I remember that we did make inquiries at the time. I have just been reminded that the result of that inquiry was that our relevant regional office was not aware of any contact with that person or indeed of any project relevant to them. We speculated at the time whether there might not have been some confusion here in terms of some other state body or something, but we were not able immediately to track it down. So we left it at that. We did our best to see if there was anything there but, without further information, we could not proceed.

Senator O'BRIEN—Does the title 'Hunter Area Consultative Committee' mean anything?

Dr Dobes—I may have heard that phrase, Senator. I presume you are referring to an area consultative committee?

Senator O'BRIEN—Yes. The letter talks about the Hunter Area Consultative Committee, saying:

The project was not endorsed by the Hunter Area Consultative Committee on the basis that it did not meet the Dairy Regional Assistance Program guidelines in relation to value for money and employment outcomes.

It sounds pretty much like DRAP, doesn't it?

Dr Dobes—Senator, I am sorry, I have missed that. No, I am not aware of the specifics of this particular instance. If you do not mind, if we could put that one on notice, we will chase it up for you.

Senator O'BRIEN—Would it be normal practice to deny telling a member of the public who was a member of an area consultative committee?

Ms Riggs—No, it would not, Senator, if we knew. But since we do not control the membership of area consultative committees, we will not always know who the members are.

Senator O'BRIEN—When you investigate, can you advise us whether it was the case that a member of the public was denied the names of members of an area consultative committee, presuming you knew them? I mean, if you did not know them, I would be interested to know what the interchange was.

Ms Riggs—We will ask if such a conversation took place between a member of our staff and the person who wrote that letter.

Mr Yuile—I suppose the only other thing to add—and obviously it will all need a bit more clarity—is that certainly in my experience in other places if you are involved in a program and someone is not successful and feels hard done by, then I am sure you are well aware of it as well that people can become abusive and very difficult. If they were seeking the name of someone to pursue, then an officer may well have chosen not to reveal that name and to take note of the complaint, if that is what happened. It is a bit hard to know on the basis of a letter from which you have quoted. I am just not wanting to set up any expectation here, because we do deal with people all the time in these programs who, if they are unsuccessful, can in some cases feel very hard done by.

Senator O'BRIEN—It would not be hard to pick up the phone or look up the phone number—or try at least—of Tom Smith of Bingle borough in East Gresford. There can't be too many of them.

Mr Yuile—Tom Smith?

Senator O'BRIEN—I will give you the clipping.

Mr Yuile—Thank you.

Senator O'BRIEN—In relation to the funding for the Wide Bay Burnett Structural Adjustment Program, looking at the department's past budget statements, table 1.2 on page 25 of the portfolio additional estimates statement for 2001-02 said that \$4 million would be expended on the program in 2001-02. Table 2.6 on page 62 of the PBS for 2002-3 said that \$1.43 million has been expended on the program in 2001-02 and \$2.5 million would be expended in 2002-03. But then table 2.6 in the department's portfolio additional estimates statement for 2002-03 said that \$1.654 million had been expended in 2001-02 and \$2.346 million would be expended in 2002-03. These all total \$4 million. Let me just take it a little further. The answers to question on notice 424 and 443 list 19 projects allocating funding under the Wide Bay Burnett Structural Adjustment Program valued at \$4.398 million. Then in February, perhaps this was rounding up, we were told that the program was worth \$4.4 million.

Ms Key—Senator, I agree with you. I think that represents rounding up in that case.

Senator O'BRIEN—That latter one.

Ms Key—The GST one.

Senator O'BRIEN—There was \$4.375 million, \$4.398 million and three sets of references in additional portfolio budget statements with different structuring of the payment of the money. None of them mentioned GST.

Ms Riggs—We will take on notice and provide you with actual expenditure in each of the financial years in which the program has operated and estimated expenditure for 2003-04.

Senator O'BRIEN—Is there a reference to this program in the 2003-04 PBS?

Ms Riggs—On page 64 of the current PBS, there is a reference to regional partnerships. In your absence earlier this evening, we have had a quite detailed explanation of the variation of estimates for the component programs that from 1 July onwards will make up regional partnerships, including Wide Bay Burnett Structural Adjustment Program.

Senator O'BRIEN—Perhaps you will humour me regarding my absence for a couple of hours from this room in the last four days.

Ms Riggs—I appreciate that it has been a long time for you, Senator.

Senator Troeth—Senator, just before you go on, I do want to point out that in the letter to the editor in the *Dungog Chronicle* that you referred to earlier from a Mr Tom Smith, the public servants that he refers to are specifically called 'two junior state public servants'. Are you aware of that?

Senator O'BRIEN—I saw that and I can understand why someone might make an error, but the Dairy RAP is a federal program. I do not believe it is administered by state bureaucrats.

Senator Troeth—And the letter goes on to say:

As I followed the advice of a Mr Baker who was the then state public servant in charge of the dairy RAP scheme ...

There is confusion there and we will have to follow it up. I simply want to set the record straight that, according to the letter writer, the person who made the so-called rude and abusive phone call was a junior state public servant.

Senator O'BRIEN—I would appreciate it being checked. I find it difficult to believe that the state public servant would be dealing with the Dairy RAP, but I might be wrong. The main reason I was raising the issue was that I wanted to find out what you knew about it and I presumed there would have been an inquiry made, given that it was in the department clips.

Mr Yuile—And you have heard that there has.

Senator Troeth—I appreciate that and you will be told. But I do want to set the record straight that any rude and abusive phone calls were not from this department.

Senator O'BRIEN—We do not know that. I think we need to check this.

Senator Troeth—Well, the point is still unclear so perhaps we will find out the true facts.

Senator O'BRIEN—In relation to the web site reference of \$4.375 million for Wide Bay Burnett, will that \$375,000 subtract from the Sustainable Regions Program funding for Wide Bay? Will it be \$7,625,000-odd?

Ms Riggs—Again, as we have been through in your absence, the funding for Wide Bay Burnett under the Sustainable Regions Program is for up to \$8 million and precisely what is funded will depend on the projects that the committee brings forward for the minister's consideration.

Senator O'BRIEN—I will appreciate the explanation you have promised me. In relation to the Hervey Bay Thrill Seeker project, this committee has been advised that the project grant is \$160,000. The answer to questions on notice 424 and 443 say the grant is valued at \$170,000. So is that a GST movement or is there some other explanation and, if there is, what is it?

Ms Riggs—I do not believe we have sufficient detailed data with us this evening. We will take that question on notice.

Ms Key—Senator, actually, my copy of that question does have the \$160,000 figure in it. And my recent briefing includes that figure, at the moment as well, of \$160,000.

Senator O'BRIEN—The web site says \$160,000.

Ms Key—I have a copy of the question as it was tabled, if you would like to look at it.

Senator O'BRIEN—What page are you referring to of that answer? There are 17 pages.

Ms Key—I am on the second page of the table. It was the response to question 17 from AEs in February this year. My table, as I believe it was tabled, has the \$160,000 figure. When we do the financial analysis by year, perhaps we could check that and, if there is an anomaly, indicate how that may have happened as part of that response.

Senator O'BRIEN—Thanks for that. I will go back over it and see if I have made an error and, if I have, I apologise. Going back to the Sustainable Regions Program, Ms Riggs, you said that it is funding 'of up to \$8 million'. I have the minister's press release from his web site. He does not say 'up to' in his web site announcement. Where will I find the announcement that says 'up to'?

Ms Key—My understanding is that, when each of the regions was announced, the individual press releases included that statement.

Senator O'BRIEN—The department-prepared press release may be different from the one that appears on the Warren Truss MP Wide Bay web site because it definitely does not say 'up to'. Perhaps we can check that. It might be just a bit of slackness on the part of the minister's electorate office. Can you tell me what the employment gained from the Hervey Bay Thrill Seeker grant was?

Ms Key—Senator, we discussed this earlier. At this stage, we understand that there are two casual positions. The first milestone payment is expected by the end of this financial year.

Senator O'BRIEN—Was the original commitment for seven full-time and two casual positions? You may have already answered that.

Ms Key—Yes, that is correct.

Senator O'BRIEN—Is there a timetable that we could look forward to for the creation of the seven full-time positions?

Ms Key—We have been discussing with the proponent fairly recently the development of this project. As I indicated, we will have the first milestone payment by the end of this year, and we will be in a better position by then to be able to give you some more feedback on how that is going.

Senator O'BRIEN—That answer to a question on notice that we have been referring to says the Hervey Bay Thrill Seeker company is managing the Gin Gin bakery grant. That is not correct, is it? That is on page 16 of a 17-page answer to a question on notice.

Ms Key—Could you repeat that? Did you say the Hervey Bay Thrill Seeker was managing the Gin Gin bakery grant?

Senator O'BRIEN—Managing the grant. It says the recipient, 'Hervey Bay Thrill Seeker', in the column and then the description states: 'Gin Gin bakery, eatery and extensions to establish an open-air covered eatery and refurbish bakery and shop, \$100,000'.

Ms Key—There may have been some misalignment of the columns there. It is actually Golf Master Pty Ltd trading as Gin Gin Bakery who are the recipients of the extension payments to the bakery.

Senator O'BRIEN—It must be that. In relation to the Gin Gin bakery grant of \$100,000, can you provide some details of the 18 indirect jobs claimed to have been created?

Ms Key—I do not have that with me. I know there were 18 construction related positions and a further 18 indirect jobs. We will talk to the proponent and get back to you about that one as well.

Senator O'BRIEN—What was the application and assessment time frame for the Wide Bay Burnett Structural Adjustment Program? I understand applications for projects closed on 28 September 2001.

Ms Key—I was not involved in this program at that time so I would have to check that for you. I do not have that with me this evening.

Senator O'BRIEN—Can you perhaps take on notice whether any successful applications were lodged after 28 September 2001?

Ms Key—Certainly, Senator.

Senator O'BRIEN—When did applications open? On what date did the government move into caretaker mode ahead of the November 2001 federal election? And in relation to this program, was decision making compressed or otherwise affected by the election?

Ms Riggs—We will happily share with you from the record the dates on which those decisions were made.

Senator O'BRIEN—My attention has been drawn to the right page in the question on notice; again it is from the web site, page 16, where it says under 'Hervey Bay Thrill Seeker':

Hervey Bay Thrill Seeker bungee project—this is a tourist industry related initiative, \$170,000.

Ms Key—I will certainly check that.

Senator O'BRIEN—I am happy to show you what I have.

Ms Key—I cannot explain the anomaly there. It could be just a simple transposition error, but I will look into that for you as part of the provision of the previous question you asked about the details of each project.

Senator O'BRIEN—In relation to the Wide Bay Burnett Structural Adjustment Program, I wanted to know how the application and assessment process compared with that adopted for the Salisbury Playford region in the Sustainable Regions Program. In February, we had this exchange about the Wide Bay structural adjustment package where I said:

Senator O'BRIEN—There would be no more projects, I take it. The 18 was it?

Mr Harris—That is right, Senator. There was \$4.4 million in total, with GST, and that has been committed.

Now apparently there are 19 projects. Given only 18 were listed in Mr Anderson's media release of 21 December 2001, he might have thought there were only 18. Can you tell me why the \$250,000 grant to the Kingaroy and South Burnett Community Private Hospital was not announced by Mr Anderson on 21 December 2001?

Ms Key—Was not announced?

Senator O'BRIEN—Was not announced. There were 18 that were announced—it was the 19th, I should say.

Ms Key—I do not know but, again, I would be happy to look into that for you.

Senator O'BRIEN—Can you find out when that decision was announced? Can you let me know where I can find Mr Anderson's media statement about this grant of a quarter of a million dollars?

Ms Key—Yes, Senator.

Senator O'BRIEN—I would like to know how the application assessment and announcement for this grant differed from the other 18 projects under the Wide Bay Burnett Structural Adjustment Program.

Ms Key—Senator, I will again take that one on notice, if I may.

Senator O'BRIEN—Given that the member for Wide Bay and Minister for Agriculture, Fisheries and Forestry served on Kingaroy Shire Council for 14 years prior to his election to the House of Representatives, including seven years as mayor, and given that he also contested, and lost, the state seat of Buramba for the National Party when Joh Bjelke-Petersen retired, did Mr Truss, his electorate office or ministerial office make any representations on behalf of the council in relation to the hospital?

Ms Key—I am not aware of anything of that nature happening at that time. But I will see what our records hold and see what I can make available to you, certainly.

Senator O'BRIEN—Is it fair to say that this is a \$250,000 grant to Kingaroy council for the purchase of a private hospital?

Ms Key—Once again, I do not know.

Senator O'BRIEN—Perhaps you can also respond to this on notice: it will come as no surprise to Ms Riggs that occasionally I read council minutes. According to the minutes of the Kingaroy Shire Council meeting of 26 June 2001, council authorised the completion of a contract with the Commonwealth Department of Health and Ageing for funding to engage a consultant to develop a business plan to determine the operational viability of St Aubyn's hospital. I would like to know: was this contract declared in the council's application for funding; what discussions this department had with the Department of Health and Ageing about this council contract, when those discussions took place and between whom; and have there been email exchanges and, if so, whether copies of the email exchanges can be provided?

Ms Key—If it formed part of the application at the time, we would have that information. But I cannot speculate—

Senator O'BRIEN—I cannot generate a question not knowing what the answer to one is, so I will need to put a number of questions on notice, some of which may be redundant. Is it fair to say that this contract with another department was relevant to the application for the \$250,000 hospital funding?

Senator Troeth—That is asking the officer to make a judgment, Senator—'Is it fair to say?' I do not think you can expect her to do that.

Senator O'BRIEN—Perhaps I will rephrase it. Do you agree that this contract with another department was relevant to the application for hospital funding?

Ms Key—I do not know of the existence or not of the contract at this stage. As I said earlier, we would have to check the actual project application to see what bearing that would have on it. I could not comment on that.

Senator O'BRIEN—Were applicants required to provide at least 50 per cent of the project cost under this program?

Ms Key—I am not sure. We would have to check that. We always expect a significant contribution, but I am not sure that it is 50 per cent, so I will need to check.

Mr Yuile—You have got council minutes that refer to the project; would you be happy to give us a copy of those so we can follow that up as well?

Senator O'BRIEN—Yes. I have the relevant page extract.

Mr Yuile—Thank you.

Senator O'BRIEN—I can assist you, Ms Key, with the Wide Bay Burnett structural adjustment package application form which is under the heading the 'Commonwealth Department of Transport and Regional Services'. On page 7, box No. 8 says:

At least 50 per cent of the cost of the proposal must be provided by the applicant.

Ms Key—Thank you, Senator.

Senator O'BRIEN—A Toowoomba ABC Radio report on 12 October 2001 said :

Councillor Nunn—

who is marked as present at the council meeting I am referring to—

is confident council will commit to buying the hospital, costing about \$420,000.

That is an ABC Radio report, the transcript of which we have been able to obtain from the web site. If you do not know now, can you take on notice these questions: was the department aware of the intentions of the council at that time as expressed by the mayor, Councillor Nunn? As \$250,000 is more than half of the \$420,000 purchase price, how could the proponent have been providing 50 per cent as appears to be required in the application form? At its meeting on 23 October 2001, Kingaroy council resolved to enter into a contract with the Uniting Church to borrow \$450,000 for the purchase of St Aubyn's Hospital, and I can supply a copy of the council minutes of 23 October 2001. Can you find out whether the department was aware of that resolution?

Ms Key—I am not aware of that myself.

Senator O'BRIEN—These are the minutes of a special meeting of the Kingaroy Shire Council, dated Tuesday, 18 December 2001. The only business was the resolution to borrow \$450,000.

Ms Key—Can you provide that as well?

Senator O'BRIEN—I can. Can you tell me what funding the application for this project actually sought?

Ms Key—The only information I have with me tonight is that it was related to the start-up costs for the establishment of the hospital. I am afraid I could not talk to you about much more than that with any accuracy. I would prefer again to take that one on notice.

Senator O'BRIEN—I would like to know what funding the applicant sought. You would have that on file, wouldn't you?

Ms Key—We would, yes.

Senator O'BRIEN—I would like to know what the reopening of the hospital cost. These minutes may not reveal that, and you may have that on file. Would the file indicate when the application was lodged?

Ms Key—Yes, Senator, I believe it would.

Senator O'BRIEN—It would be date stamped, I presume.

Ms Key—I would assume so, but again that is something we would have to check.

Senator O'BRIEN—This may or may not be relevant, but the council did not authorise the lodgment of an application until 26 September 2001. Can you find out when it was lodged and how it was received—was it hard copy, fax, email?

Ms Key—Certainly.

Senator O'BRIEN—If it was lodged after 28 September 2001, was a special exemption made to receive applications after the advertised closing date?

Ms Key—Once again, I would have to check.

Senator O'BRIEN—Because we are putting these on notice I will have to ask alternative questions: was the nature of the project or the amount sought varied at any time? I take it the department was not aware of the resolutions of council.

Ms Key—I cannot recall that detail.

Senator O'BRIEN—Interestingly, the Kingaroy Shire Council annual report for 2001-02 says that the purchase of the hospital is 'an ambitious project that is a little outside the council's normal charter'. Was that information relevant to the consideration of the department of the granting of the application?

Ms Key—Senator, I just do not have that level of detail or level of understanding of this project. There are several hundred projects which my branch manages. I am happy to take questions on notice but, of course, our files will have only some of this information available. We may not have all of those council resolutions, for example, but we will endeavour to respond as fulsomely as we can.

Senator O'BRIEN—The program guidelines provide that applicants may be invited to make a presentation to the local advisory committee. Can you tell me, and I assume it will be on notice, whether such a presentation was made and, if so, when.

Ms Key—You might be thinking of the Sustainable Regions Program rather than this particular program.

Senator O'BRIEN—Perhaps I am.

Ms Key—Excuse me, I will just check that.

Senator O'BRIEN—I have the guidelines here—

Ms Key—No, I am sorry, Senator, there were some presentations made at the time.

Senator O'BRIEN—Will you let me know if such a presentation was made?

Ms Key—Certainly.

Senator O'BRIEN—When was the money paid?

Ms Key—I do not have the date, but again, that is something I can provide.

Senator O'BRIEN—I understand the hospital concerned, which was formerly known as St Aubyn's Hospital, closed on 29 June 2001. I presume the department was aware that the hospital had only recently closed.

Ms Key—I know we were aware that it had closed. The time frame—

Senator O'BRIEN—Do you know why it closed?

Ms Key—No, I do not.

Senator O'BRIEN—I am a little curious: if a hospital has closed, wouldn't the department want to know why before it handed over a quarter of a million dollars to reopen it?

Ms Key—Certainly, we would have looked at a whole range of reasons in relation to this project approval. As I said earlier, I just cannot recall the detail of this one.

Senator O'BRIEN—Can you confirm that the hospital reopened on 29 April 2002? I understand it was approved for private health insurance purposes on that day.

Ms Key—I will check our records and see if we can do that, yes.

Senator O'BRIEN—Is this the only hospital purchase with regional program grants since 1998?

Ms Key—I am not aware of any others in any other program.

Senator O'BRIEN—The grant application, again on page 7, says that applicants are required to tell the department if other Commonwealth or state funding for the project had been sought.

Ms Key—Yes.

Senator O'BRIEN—Can you tell us what the council's application said in that regard?

Ms Key—No, Senator.

Senator O'BRIEN—You will be able to do that on notice, won't you?

Ms Key—This is what the council said in terms of its contribution?

Senator O'BRIEN—No, in terms of whether other Commonwealth or state funding for the project had been sought.

Ms Key—Yes, it should have been addressed in the application form, and, if so, I will provide that to you.

Senator O'BRIEN—That is right. In the same box, the second dot point:

Identify any other Commonwealth or state funding that has been sought for this proposal.

Again there is a report to Kingaroy council dated 4 March 2002 concerning council's corporate and operational plan. This report says:

The recent purchase of St Aubyn's Hospital may also provide some commercial land.

I would like to know if the department knows whether the council has sold any land or indeed if you can find out whether the council has sold any land associated with the hospital purchase and, if so, what commercial return there was from this sale. I ask this question because I want to know if the \$250,000 grant facilitated a land transaction unrelated to the purchase of the grant, which is obviously employment generation.

Ms Key—I will check that. I am not sure if we will have that but I will let you know, certainly.

Senator O'BRIEN—Has the department been advised what management structure the council has put in place for the operation of the hospital?

Ms Key—I will check that one, too.

Senator O'BRIEN—I would like to know if it outlined a proposed ownership and management structure in its application form and whether it discussed these details with the

department. I would like to know if the department sought advice from the Department of Health and Ageing or any other agency about the proposed ownership and management structure.

Ms Key—That would have been a routine part of our project assessment, but, again, I will confirm that for you.

Senator O'BRIEN—I guess that must be information that is on the file.

Ms Key—Yes.

Senator O'BRIEN—Can you tell me if this hospital provides public health services?

Ms Key—I will have to check for you.

Senator O'BRIEN—Is there a requirement for recipients of the Wide Bay Structural Adjustment Program grants to acknowledge the contribution of the Commonwealth to their project?

Ms Key—Yes.

Senator O'BRIEN—Can you find out how Kingaroy council has acknowledged this grant?

Ms Key—Certainly.

Senator O'BRIEN—I can tell you this much, that the South Burnett Local Government Association web page has some comments in April 2002 which read:

... the hospital will reopen in a limited capacity from next week after Kingaroy Shire Council purchased the property from the former owners, refurbished and restaffed it. Kingaroy Mayor Cr. Roger Nunn said that both his council and the local community had supported the bid to keep the amenity in the region and congratulated everyone involved—particularly Kingaroy CEO Ron Turner, who he said had worked extremely hard on the project.

The Commonwealth, the minister and the department do not get a mention. I cannot find any mention of the grant in the council minutes either. Is that a breach of the conditions of the grant?

Ms Key—They may have acknowledged it on signage or in some other way. I will endeavour to establish that for you.

Senator O'BRIEN—Are there any other of the department's regional programs that local councils and communities might access to facilitate the purchase of a hospital?

Ms Riggs—I cannot quickly see how it would be feasible for such a project to fit under the guidelines of the new Regional Partnerships Program but they have yet to be tested, I guess, is an acknowledgment I would have to make. In essence, into the future the department will have only two regional programs—Sustainable Regions and Regional Partnerships.

Senator O'BRIEN—So you do not think it is possible, or would you like to check that?

Ms Riggs—No, I am not unfamiliar with what the guidelines say. What I am saying to you is that it would not be my understanding of the guidelines that it would be possible under regional partnerships.

Senator O'BRIEN—I suppose you never say never, but this may be the one and only.

Ms Riggs—Senator, if we are both in these roles in a few years time and you find an opportunity to tell me I was wrong, I will smile graciously.

Senator O'BRIEN—I am sure you will.

Senator BUCKLAND—Could we turn our attention to the area consultative councils. Could you provide us with the addresses of each ACC office—or offices, if an ACC has more than one office?

Ms Riggs—We will do that on notice, Senator.

Senator BUCKLAND—Does the department provide any advice to ACCs about the leasing of premises? For example, do you provide any advice about lease arrangements?

Ms Riggs—I think I should add to my previous answer. The locations of each of the 56 ACC offices is available on the ACC web site. While I am perfectly happy to give you a listing, you will be able to access it in advance of that by going to the web site.

Senator BUCKLAND—I am more interested in those ACCs that have more than one office.

Mr Yuile—They would be on the web site.

Senator BUCKLAND—With the greatest respect, I have not been able to see that.

Ms Riggs—If there are some we will certainly make sure that we give you the addresses of the multiple offices, for those ACCs that have them. Your next question was about leasing for ACC premises and in particular your question was: do we give them advice about leasing? Yes, I think it is fair to say that, in those circumstances where they seek our advice, we would certainly assist them to the extent of our ability.

Senator BUCKLAND—Could you provide us with a copy of the advice that is provided?

Ms Riggs—No, this is not generic advice; this would be in conversation generally between an executive officer and one of our regional office managers or senior staff in our regional offices. So it is not possible to provide you with the particulars of the advice given in each case that might have occurred.

Senator BUCKLAND—You said you will only provide advice if it is sought. Who pays ultimately for the office accommodation for ACCs?

Ms Riggs—There is provision in the funding that we give to each ACC for their lease payments. The ACC handbook suggests that they should not enter into lease agreements that commit them beyond the funding period.

Senator BUCKLAND—That funding for accommodation would come out of the overall funding for an individual ACC. Would that be right?

Ms Riggs—Each ACC negotiates a business plan with the relevant regional office on an annual basis. They are provided with funding for an agreed business plan, and an element of that funding is to meet their lease costs.

Senator BUCKLAND—Just so that I get it right: an amount of money is provided to an ACC—

Ms Riggs—Based on a negotiated agreement about their business plan, yes.

Senator BUCKLAND—Consistent with their business plan. Out of that comes administrative costs, accommodation rental and I imagine the plant and equipment that would go into an office such as an ACC would have.

Ms Riggs—Yes, that is right. But not all ACCs are provided with funding solely via the base funding that we give them for their base level of infrastructure. So I would not like it to be thought that, for every ACC, the only money they have to spend on their administrative costs, their rental or whatever comes through the single contract that we as a department have with them for the provision of basic ACC services.

Senator BUCKLAND—But the money for those things comes out of the overall budget or the overall allocation given to an ACC? They take their administrative costs, rentals, plant and equipment and other oncosts out of the same pool of funds that is available for project work?

Ms Riggs—No, that is not right.

Senator BUCKLAND—That is why I am asking the questions.

Ms Riggs—We separately contract with each ACC for the delivery of an annual business plan, and inherent in that is their base funding for an executive officer, basic office services, basic office facilities, their rental, their lease charges, their telecommunications charges. In addition to that, each ACC is given a notional allocation to guide their thinking about the value of projects that they might bring forward as recommended projects for the minister's consideration. But ACCs do not make decisions about project funding and they do not therefore have a project funding allocation; they have a notional or indicative level of total value of projects that they might bring forward.

Senator BUCKLAND—We will come back to the projects a little later. Looking at the rental and the administrative costs of ACCs, does that vary between ACCs?

Ms Riggs—Yes, it does.

Senator BUCKLAND—Is there any monitoring to see that the rental property for which a lease is taken out by an individual ACC is in keeping with those for like ACCs in other areas? I understand rental movements vary between locations.

Ms Riggs—When they come and speak with our regional managers about the nature of their business plan and the various components of funding that they seek to support it, the regional manager will raise with them if, for example, the accommodation lease component appears unduly high or insupportably low, given what that regional manager knows of the past history of lease arrangements and the comparable component of business plan negotiations with other ACCs. So, yes, it is managed to, if you like, an appropriate level through the negotiation process over the business plan and then through the allocation process, because we ask ACCs to report on how they have used the money that they have been allocated. So, while we do not actually make them stick to the last cent, they have to stay within acceptable variations from their own proposals.

Senator BUCKLAND—Are there guidelines given as to rental space and types of furniture and equipment that they can have in their office?

Ms Riggs—No, there are not.

Senator BUCKLAND—I wonder if you would be good enough to provide us with details of the individual lease arrangements for all of the ACC offices.

Ms Riggs—I will not know what they are. All we will know in any comparable detail is the value of the accommodation lease component which has been provided for in the approved business plans, say, for the given year.

Senator BUCKLAND—I have to say, with the greatest of respect, that I struggle with this because I cannot understand or believe that money is given without proper controls being applied and without any real guidelines being in place to administer the leasing of properties for a government funded body. I really struggle with that, with the greatest of respect. To not have guidelines on the size of an office or on the type of furnishings that can be placed in the office disturbs me greatly. There does not seem to be any real concern about that by the department. But I would ask if you could, to the best of your ability, provide us with the lease arrangements and the space allocations for each one.

Ms Riggs—We will provide you with that component of the budgets that accompany the approved business plans for 2002-03 which relates to accommodation rental.

Senator BUCKLAND—How many people are directly employed by an individual ACC or overall?

Ms Riggs—That would depend on what decision the ACC's governing body makes and what its capacity is to employ people under its various funding sources. In general, with respect to the moneys that are provided in what I would call their base-level grant—there is a qualification I will have to apply to this in a minute—our funding would cover one full-time executive officer and some capacity either for some part-time staff or for some outsourcing of some basic support functions and professional services. The exception that I would make to that is that, in some of the capital cities, there is a single large ACC. They are not funded at a single ACC level; they are funded at a multiple ACC level that has been struck, and I guess moderated a bit over the years as the previous Department of Employment, Workplace Relations and Small Business and more recently DOTARS have had experience of this. For some of those ACCs, there is therefore capacity in their budget and approval through their business plan for them to have more than one ongoing full-time employee.

Senator BUCKLAND—Again, it disturbs me that there do not seem to be any real guidelines. I would ask you if you could provide us with details of all people employed by ACCs and if we could have the positions in which they are employed.

Ms Riggs—We will be happy to compile a response to that which provides numbers of people employed by ACCs.

Senator BUCKLAND—What is the difficulty with the individual capacity?

Ms Riggs—It is not our policy to give you names and contact details.

Senator BUCKLAND—I am not asking for names; I am asking for positions held. That is, if they are administrative officers—

Ms Riggs—To the extent that they will be identifiable through the agreed process and to the extent that we can only deal with positions that are funded through our base funding, we will do that. But I cannot promise that that will be a full list of all employees of ACCs.

CHAIR—It being 11.05 p.m., I declare the hearing adjourned until nine o'clock in the morning.

Committee adjourned at 11.05 p.m.